

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2020

MAY AND BAKER PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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MAY AND BAKER PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

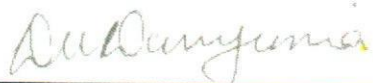
The Directors accept responsibility for the preparation of the accompanying consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in accordance with the International Financial Reporting Standards; in compliance with the Financial Reporting Council Act No. 6, 2011 and in the manner required by the Companies and Allied Matters Act, 2020.

The Directors are of the opinion that the accompanying consolidated financial statements give a true and fair view of the state of the financial affairs of the Company, in accordance with the International Financial Reporting Standards; in compliance with the Financial Reporting Council of Nigeria Act. No 6, 2011 and in manner required by Companies and Allied Matters Act, 2020.

The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, 2020 and for such internal controls as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

The consolidated financial statements have been prepared on a going concern basis. The Directors have made assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern at least 12 months from the date on this consolidated financial statements..

Signed on behalf of the Board of Directors by:



Daisy Danjuma

Chairman

FRC/2020/003/00000020890

Dated: 25th March, 2021.



Nnamdi Okafor

Managing Director

FRC/2013/PSNIG/00000002118

Dated: 25th March, 2021.

Independent Auditor's Report

To the Shareholders of May and Baker Nigeria Plc

Opinion

We have audited the accompanying consolidated financial statements of May and Baker Nigeria Plc ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, 2020.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We draw attention to the matter stated below:

- Notes 35 to the audited financial statements regarding restatements of some account balances.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The audit matters below relate to the audit of the consolidated financial statements.

Key audit matters	How the matter was addressed in the audit
<p>a) Information technology (IT) systems and control over financial reporting</p> <p>A significant part of the Group's financial reporting process is heavily reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes of controls is ensuring appropriate user process and change management protocols exist, and are being adhered to.</p> <p>These protocols are important because they ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner. The Group changed its accounting software from Sage 300 to a vendor customised Electronic Resource Planning Application - Microsoft Navision. The Group has an IT division to manage the IT functions, and/or to assist with minor operational requirements while GEM Consultants provide service for major functions.</p> <p>In the event that the IT system fails, business operations will be disrupted/hampered until systems are online.</p> <p>As our audit sought to place a high level of reliance on IT systems and application controls relating to financial reporting, a high proportion of the overall audit effort was on this area.</p>	<p>We focused our audit on those IT systems and controls that are significant for the Company financial reporting process.</p> <p>As audit procedures over IT systems and controls require specific expertise, we involved IT specialist in our audit.</p> <p>We assessed and tested the design and operating effectiveness of the Company's IT controls, including those over users access and change management as well as date reliability.</p> <p>In a limited number of cases, we adjusted our planned audit approach as follows:</p> <ul style="list-style-type: none"> • We extended our testing to identify whether there had been unauthorised or inappropriate access or changes made to critical IT systems and related data; • Where automated procedures were supported by systems with identified deficiencies, we extended our procedures to identify and test alternative controls; and • Where required, we performed a greater level of testing to validate the integrity and reliability of associated data reporting.
<p>b) Impairment allowance for trade and other receivables</p> <p>Trade and other receivables are stated at their invoiced values less appropriate allowance for impairment as disclosed in Note 17 of the financials. The Group has a policy of providing for debts with aging based on management approved matrix. In arriving at this matrix, management has considered the assessments of credit customers, past performance/ present events, conditions and reasonable forecast of expected credit losses, in determining the matrix to be applied on customers. The new software classified all outstanding debts as due within 1 year irrespective of the length of the debts. This creates room for subjective computation of the impairment for public sectors as the company applied 100% on those debts.</p>	<p>We focused our testing of impairment of trade and other receivables on the assumptions made by management. Our audit procedures included:</p> <ul style="list-style-type: none"> • Updating, evaluating and validating our understanding of the receivable cycle. Carried out debtors circularisation, to obtain evidence for the accuracy and existence of debts. • Evaluated the accounting principles underlying revenue recognition, which form the basis for the recognition of trade receivables. • Evaluated the related risks associated with the company's credit policy and the aging of trade receivables as disclosed in Note 19 of the consolidated financial statements. • Review the impairment model used by management taking into account our understanding of client's business and the reasonableness of the assumptions used.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report, Audit Committee's Report, Corporate Governance Report and Company Secretary's report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated statements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with Governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, 2020, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Companies and Allied Matter Act, 2020 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

In Compliance with the requirements of schedule sixth of the Companies and Allied Matters Act, 2020.

In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books of the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.


Benson Adejayan, FCA
FRC/2013/ICAN/02226
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Dated: 25 March 2021



MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	The Group		The Company	
		2020 N'000	Restated 2019 N'000	2020 N'000	Restated 2019 N'000
Continuing operations					
Revenue	5.1	9,390,196	8,080,390	8,939,033	7,686,625
Cost of sales	5.2	<u>(5,608,424)</u>	<u>(5,174,863)</u>	<u>(5,414,413)</u>	<u>(4,975,875)</u>
Gross profit		3,781,772	2,905,527	3,524,620	2,710,750
Other operating income	6	45,676	84,852	44,881	78,574
Distribution, sales and marketing expenses	7	<u>(1,452,095)</u>	<u>(1,197,531)</u>	<u>(1,344,748)</u>	<u>(1,068,592)</u>
Administrative expenses	7.1	<u>(967,922)</u>	<u>(784,291)</u>	<u>(901,830)</u>	<u>(730,734)</u>
Operating profit		1,407,431	1,008,557	1,322,923	989,998
Net finance costs	8	<u>(135,047)</u>	<u>(95,299)</u>	<u>(135,184)</u>	<u>(95,299)</u>
Share of loss in joint ventures	15.2	<u>(24,058)</u>	<u>(12,664)</u>	-	-
Profit before income tax		1,248,326	900,594	1,187,739	894,699
Income tax expense	9	<u>(283,762)</u>	<u>(184,466)</u>	<u>(283,762)</u>	<u>(184,466)</u>
Profit from continuing operations		964,564	716,128	903,977	710,233
Attributable to:					
Equity shareholders		<u>964,564</u>	716,128	<u>903,977</u>	710,233
Other Comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Items that may be reclassified subsequently to profit or loss					
Asset revaluation gain net of tax	22.2	-	408,144	-	408,144
Other comprehensive income		<u>-</u>	<u>408,144</u>	<u>-</u>	<u>408,144</u>
Total comprehensive income for the year		964,564	1,124,272	903,977	1,118,377
Attributable to:					
Equity shareholders		964,564	1,124,272	903,977	1,118,377
Basic and diluted earnings per share (Kobo) - From continuing operations	10	55.91	41.51	52.40	41.17

All the profit of the Group is attributable to Owners of the Parents as there are no non-controlling interests.

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020

		The Group		The Company	
		2020	Restated	2020	Restated
	Notes	N'000	2019 N'000	N'000	2019 N'000
Assets					
Non current assets					
Property, plant and equipment	12	3,938,657	4,165,576	3,908,706	4,148,373
Intangible assets	13	30,474	40,632	30,474	40,632
Investment in subsidiaries	14	-	-	3,000	3,000
Investment in Joint Venture	15	1,200,922	1,224,980	1,326,886	1,326,886
		<u>5,170,053</u>	<u>5,431,188</u>	<u>5,269,066</u>	<u>5,518,891</u>
Current assets					
Inventories	16	2,439,581	1,591,064	2,345,677	1,443,968
Trade and other receivables	17	1,366,267	1,610,933	1,266,128	1,532,123
Other assets	19	1,404,824	329,681	1,401,113	327,759
Due from related party	18.1	-	-	213,028	190,465
Cash and cash equivalents	20	3,971,438	530,577	3,825,500	460,722
		<u>9,182,110</u>	<u>4,062,255</u>	<u>9,051,446</u>	<u>3,955,037</u>
Total assets		<u>14,352,163</u>	<u>9,493,443</u>	<u>14,320,512</u>	<u>9,473,928</u>
Equity and liabilities					
Ordinary shares	21.1	862,617	862,617	862,617	862,617
Share premium	21.2	3,012,065	3,012,065	3,012,065	3,012,065
Retained earnings	22	2,459,119	1,925,864	2,483,243	2,010,576
Asset revaluation reserve	22.2	408,144	408,144	408,144	408,144
		<u>6,741,945</u>	<u>6,208,690</u>	<u>6,766,069</u>	<u>6,293,402</u>
Non-current liabilities					
Loans and borrowings	23.3	2,507,283	-	2,507,283	-
Post employment benefits	24.1	43,944	49,347	43,944	49,192
Deferred tax liabilities	9.3	779,853	974,163	777,720	973,527
Deferred fair value gain on loan	26.1	460,449	-	460,449	-
		<u>3,791,529</u>	<u>1,023,510</u>	<u>3,789,396</u>	<u>1,022,719</u>
Current liabilities					
Loans and borrowings	23.3	1,644,167	482,506	1,688,420	482,506
Trade and other payables	25	1,343,322	1,411,725	1,245,462	1,308,289
Due to related party	18.2	222,235	225,965	222,235	225,965
Current tax liabilities	9.2	478,593	141,047	478,558	141,047
Deferred fair value gain on loan	26.2	130,372	-	130,372	-
		<u>3,818,689</u>	<u>2,261,243</u>	<u>3,765,047</u>	<u>2,157,807</u>
Total liabilities		<u>7,610,218</u>	<u>3,284,753</u>	<u>7,554,443</u>	<u>3,180,526</u>
Total equity and liabilities		<u>14,352,163</u>	<u>9,493,443</u>	<u>14,320,512</u>	<u>9,473,928</u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 25th March, 2021.



Daisy Danjuma
Chairman
FRC/2020/003/00000020890



Nnamdi Okafor
Managing Director
FRC/2013/PSNIG/00000002118



Ayodeji Aboderin
Finance Director/ CFO
FRC/2014/ICAN/00000008270

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital N'000	Share premium N'000	Retained earnings N'000	Asset revaluation reserve N'000	Total N'000
Equity attributable to equity holders - the Group					
At 1 January 2019	490,000	1,572,622	1,554,783	-	3,617,405
Changes in equity for 2019:					
Profit for the year	-	-	716,128	-	716,128
Right issue in the year	372,617	1,490,469	-	-	1,863,086
Dividend declared and paid	-	-	(345,047)	-	(345,047)
Share Issue Expenses	-	(51,026)	-	-	(51,026)
Asset revaluation in the year	-	-	-	80,000	80,000
Adjustment on revaluation surplus	-	-	-	373,493	373,493
Deferred tax effect	-	-	-	(8,000)	(8,000)
Adjustment of deferred tax on revaluation surplus	-	-	-	(37,349)	(37,349)
	372,617	1,439,443	371,081	408,144	2,591,285
At 31 December 2019	862,617	3,012,065	1,925,864	408,144	6,208,690
At 1 January 2020	862,617	3,012,065	1,925,864	408,144	6,208,690
Changes in equity for 2020:					
Profit for the year	-	-	964,564	-	964,564
Right issue in the year	-	-	-	-	-
Dividend declared and paid	-	-	(431,309)	-	(431,309)
Share Issue Expenses	-	-	-	-	-
Asset revaluation in the year	-	-	-	-	-
Deferred tax effect	-	-	-	-	-
	-	-	533,255	-	533,255
At 31 December 2020	862,617	3,012,065	2,459,119	408,144	6,741,945
Equity attributable to equity holders - the Company					
At 1 January 2019	490,000	1,572,622	1,645,390	-	3,708,012
Changes in equity for 2019:					
Profit for the year	-	-	710,233	-	710,233
Dividend declared and paid	-	-	(345,047)	-	(345,047)
Share issue expenses	-	(51,026)	-	-	(51,026)
Right issue in the year	372,617	1,490,469	-	-	1,863,086
Asset revaluation in the year	-	-	-	80,000	80,000
Adjustment on revaluation.	-	-	-	373,493	373,493
Deferred tax effect	-	-	-	(8,000)	(8,000)
Adjustment of deferred effect tax on revaluation surplus	-	-	-	(37,349)	(37,349)
	372,617	1,439,443	365,186	408,144	2,585,390
At 31 December 2019	862,617	3,012,065	2,010,576	408,144	6,293,402
At 1 January 2020	862,617	3,012,065	2,010,576	408,144	6,293,402
Changes in equity for 2020:					
Profit for the year	-	-	903,977	-	903,977
Dividend declared and paid	-	-	(431,309)	-	(431,309)
Share Issue Expenses	-	-	-	-	-
Right issue in the year	-	-	-	-	-
Asset revaluation in the year	-	-	-	-	-
Deferred tax effect	-	-	-	-	-
	-	-	472,668	-	472,668
At 31 December 2020	862,617	3,012,065	2,483,243	408,144	6,766,069

The accompanying notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	The Group		The Company	
		2020 N'000	Restated 2019 N'000	2020 N'000	Restated 2019 N'000
Cash flows from operating activities					
Profit for the year		964,564	716,128	903,977	710,233
Adjustment for:					
Depreciation expenses	13	546,624	463,308	533,216	458,679
Amortisation of intangible assets	13	10,158	4,233	10,158	4,233
Share of loss in joint ventures	16.9	24,058	12,664	-	-
Net Finance costs	8	135,047	95,299	135,184	95,299
Employment benefit charged	24.2	13,027	15,813	12,442	15,590
Income tax expense	9	479,569	184,466	479,569	184,466
Profit on disposal of property, plant and equipment	6.4	(7,750)	(6,427)	(6,160)	(6,427)
Impairment on trade and other receivable	18	139,843	-	137,937	-
Asset revaluation gain	22.2	-	80,000	-	80,000
Adjustment on asset revaluation gain		-	373,493	-	373,493
		2,305,139	1,938,977	2,206,323	1,915,566
Changes in:					
(Increase)/decrease in Inventories	17	(848,517)	4,211	(901,709)	19,981
Decrease/(increase) in trade and other receivables	18	104,825	(266,081)	128,060	(256,884)
Increase in other assets	19	(1,075,143)	(178,929)	(1,073,354)	(180,529)
Decrease in due from related party		-	-	(22,563)	17,252
(Decrease)/increase in trade and other payables	25	(68,403)	538,055	(62,828)	489,456
Decrease in due to related party		(3,730)	(679,731)	(3,730)	(679,731)
Deferred income		-	(23,843)	-	(23,843)
Deferred fair value gain	26	590,822	-	590,821	-
Increase in deferred tax		(194,310)	-	(195,807)	-
Cash generated from operating activities		810,682	1,332,659	665,213	1,301,268
Tax paid	9.4	(142,024)	(195,802)	(142,059)	(195,802)
Employee benefit paid	24.2	(18,430)	(66,484)	(17,690)	(64,770)
Net cash from operating activities		650,228	1,070,373	505,464	1,040,696
Cash flows from investing activities:					
Purchase of property, plant and equipment	14	(324,222)	(1,125,499)	(298,066)	(1,108,916)
Purchase of intangible		-	(44,865)	-	(44,865)
Proceeds on sale of property plant and equipment		12,267	7,640	10,677	7,640
Net cash used in investing activities		(311,955)	(1,162,724)	(287,389)	(1,146,141)
Cash flows from financing activities:					
Repayment of loans and borrowings other than overdraft	23.3	(52,261)	(661,140)	(52,261)	(661,140)
Additions to Import Finance Facility	23.3	832,233	426,092	876,486	426,092
Additions to term loans		2,892,234	-	2,892,234	-
Dividend paid	22	(431,309)	(345,047)	(431,309)	(345,047)
Right issue in the year	21.1	-	372,617	-	372,617
Premium on right issues	21.2	-	1,490,469	-	1,490,469
Share issued expenses	22.2	-	(51,026)	-	(51,026)
Net finance costs	8	(135,047)	(95,299)	(135,184)	(95,299)
Net cash from financing activities		3,105,850	1,136,666	3,149,966	1,136,666
Net increase in cash and cash equivalents		3,444,123	1,044,315	3,368,040	1,031,220
Cash and cash equivalents at 1 January		527,089	(517,226)	457,234	(573,986)
Cash and cash equivalents at 31 December	20	3,971,212	527,089	3,825,274	457,234
Reconciliation of cash and bank balances to cash and cash equivalents					
Cash and bank balance		3,971,438	530,577	3,825,500	460,722
Bank overdrafts and commercial papers		(226)	(3,488)	(226)	(3,488)
		3,971,212	527,089	3,825,274	457,234

The accompanying notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Description of business

May & Baker Nigeria Plc. was incorporated as a private limited liability company in Nigeria on September 4, 1944 and commenced business on the same date. It was listed on the Nigerian stock exchange in 1994. The company is involved in the manufacture, sale and distribution of human pharmaceuticals, human vaccines and consumer products. Registered business address is 3/5 Sapara street, Industrial Estate, Ikeja, Lagos, Nigeria

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in compliance with Financial Reporting Council of Nigeria Act No 6 2011. Additional information required by national regulations has been included where appropriate.

These consolidated financial statements comprise of the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cashflows and notes to the consolidated financial statements.

2.2 Going concern status

These consolidated financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing these consolidated financial statements.

2.3 Basis of measurement

These consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets (liabilities) which were measured at fair value. The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses while the plan assets for defined benefit obligations are measured at fair value.

These consolidated financial statements are presented in the Nigerian Naira (NGN), which is the Company's functional currency for presentation.

2.3.1 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Nigerian Naira (N) which is the Group's functional currency and presentation currency.

2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the company's accounting policies. Changes in assumptions may have a significant impact on these consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the Group's financial statements present the financial position and results fairly.

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2.5. Summary of Standards and Interpretations effective for the first time

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

2.5.1 Standards Issued and Effective on or after 1 January 2022

a) IFRS 17 Insurance Contracts

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. This standard replaces IFRS 4 – Insurance contracts.

The key principles in IFRS 17 are that an entity:

- a) identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain, future event (the insured event) adversely affects the policyholder;
- b) separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- c) divides the contracts into groups it will recognise and measure;
- d) recognises and measures groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all the available information about the fulfilment cash flows in a way that is consistent with observable market information plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin);
- e) recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk, if a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- f) presents separately insurance revenue, insurance service expenses and insurance finance income or expenses;
- g) discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. To do this, an entity discloses qualitative and quantitative information about:
 - the amounts recognised in its financial statements from insurance contracts;
 - the significant judgements, and changes in those judgements, made when applying the Standard; and
 - the nature and extent of the risks from contracts within the scope of this Standard.

2.5.2 Narrow Scope Amendments deferred until further notice

a) IFRS 10 consolidated financial statements

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

b) IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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2.5.3 New standards, amendments and interpretations issued but without an effective date

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but without an effective: This includes:

Amendments to IFRS 10 and IAS 28 consolidated financial statements and Investments in Associates and Joint Ventures

Amends IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

3 Significant accounting policies

The principal accounting policies adopted are set out below.

3.1 Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group (naira) at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting period. Exchange differences are included in the Statement of profit or loss and other comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.3 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

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Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- i the Group has transferred to the buyer the significant risks and rewards of ownership of the
- ii the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii the amount of revenue can be measured reliably;
- iv it is probable that the economic benefits associated with the transaction will flow to the Group;
- v the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- vi the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

b) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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3.5 Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred. Advertising and promotion expenditure is charged to profit or loss as incurred. Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in distribution expenditure. Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has

3.6 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured

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as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.7 Legal and other dispute

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover un-asserted claims. The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Group against third parties are charged to profit or loss as they are incurred. When the group is virtually certain of receiving reimbursement from a third party (in the form of insurance, a shared liability agreement etc.) to compensate for any lost financial benefit from such disputes, they should recognise a receivable as an asset.

3.8 Pensions and other post-employment benefits

Defined contribution scheme

The Group operates a defined contribution based retirement benefit scheme for its staff, In accordance with the provisions of the amended Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the company contribute 8% and 10% of the employee total emoluments. The company's contribution under the scheme is charged to the profit and loss while employee contributions are funded through payroll deductions.

In addition to the pension scheme, the Company operates a gratuity scheme payable to employees that have served a minimum of five years of service. The benefits are calculated based on employees salary for each qualifying year. The Company discharges its obligation to employees once payment is made to the fund managers.

3.9 Property plant and equipment

Property, plant and equipment is carried in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment.

The cost of acquisition comprises the acquisition price plus ancillary and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads. Where an obligation exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the related future payments is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with IAS 23 (Borrowing Costs).

Expenses for the repair of property, plant and equipment, such as on-going maintenance costs, are normally recognized in profit or loss. The cost of acquisition or construction is capitalized if a repair (such as a complete overhaul of technical equipment) will result in future economic benefits.

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Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following depreciation periods, based on the estimated useful lives of the respective assets, are applied throughout the Group:

Class	Useful life (range)
Buildings	50 years
Plant, machinery and fittings	10 - 5 years
Office equipment and furniture	10 - 4 years
Trucks and motor vehicles	8 - 3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Financial instruments

a. Classification and measurement of financial assets

Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the

b. Business model assessment

The Group determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the its business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of the group's businesses generate benefits and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the group's businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- **Hold-to-Collect (HTC):** The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- **Hold-to-Collect-and-Sell (HTC&S):** Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- **Other fair value business models:** These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

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c. SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time.

Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

e. Investment securities

All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for sale securities and held-for-trading securities.

3.11 Financial liabilities

Initial recognition and measurements

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Cash and cash equivalents form part of the company's financial assets.

3.13 Trade and other receivables

Trade receivables are stated at fair value and subsequently measured at fair value through profit or loss, less provision for impairment. Impairment thereon are computed using the simplified IFRS 9 Expected Credit Loss (ECL) Model, where the receivables are aged and probability of default applied on each aged bracket. Trade receivables meet the definition of financial assets and the carrying amount of the trade receivables approximates their fair value.

3.14 Trade and other payables

Trade and other payables are stated at their original invoiced value. The Directors consider the carrying amount of other payables to approximate their fair value.

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3.15 Deferred fair value gain on loans

Deferred fair value gain on loans are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the gains will be received. Deferred fair value gain on loans are recognised in profit or loss on a systematic basis over the years in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable. The benefit of a deferred fair value gain on loans at a below-market rate of interest is treated as a deferred fair value gain on loans, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The amount recognised as deferred fair value gain on loan is recognised in profit or loss over the year the related expenditure is incurred.

3.16 Inventories

In accordance with IAS 2 (Inventories), inventories encompass assets held for sale in the ordinary course of business (finished goods and goods purchased for resale), in the process of production for such sale (work in process) or in the form of materials or supplies to be consumed in the production process or in the rendering of services (raw materials and supplies). Inventories are stated at the lower of cost and net realizable value. The net realizable value is the achievable sale proceeds under normal business conditions less estimated cost to complete and selling expenses. Costs of inventories are determined on a first-in-first-out basis.

3.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.17.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated and separate statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.17.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate and separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. For any temporary differences arising on business combinations where the Group can control the reversal of the temporary difference and it is not expected to reverse in the near future, the deferred tax asset/liability is not recognised.

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.17.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.18 Discounting

Where the effect of the time value of money is material, balances are discounted to present values using appropriate rates of interest. The unwinding of the discounts is recorded in finance income and finance costs.

3.19 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of their previous carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use. The condition of being recovered through sale is only met when: "the sale is highly probable, the non-current asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification."

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.21 Dividends

Dividends are recognised as a liability in the financial statement in the year in which the dividend is approved by the shareholders.

3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

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3.23 Earnings per share

Earnings per share are calculated by dividing profit for the year by the number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing profit for the year by the fully-diluted number of ordinary shares outstanding during the period.

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgement

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.1.1 Revenue recognition

In the application of the Group's policy that states that revenues are recognized when significant risks and rewards has been transferred to the buyer, Management has ensured that revenues are recognised when goods are delivered to Customers. When goods remain in the Company's facility as a result of delayed transportation arrangement by the Customer, the Customers are aware based on practice and signed contract notes that the risks and reward of such goods remain with them.

4.1.2 Indefinite useful life of intangible assets

During the year, the directors reconsidered the recoverability of the Group's intangible asset (trade mark) and assessed if the useful life is still indefinite, the trademark conveys an irrevocable right of use to the Company. Management's assessment for recoverability includes active sales from the products, competition and current market share of the products, it is believed that the asset is fully recoverable.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Useful life of property, plant and equipment

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting year.

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4.2.2 Allowance for doubtful receivables

Judgement is exercised to make allowance for trade receivables doubtful of recovery by reference to the financial and other circumstances of the debtor in question. The Group makes provision after considering credit terms and historical experience regarding the customers.

4.2.3 Allowance for obsolete inventory

Management continuously assesses inventory items for obsolescence based on the standard operating practice of the Company.

4.2.4 Fair valuation of loan

To obtain the fair value of a loan obtained at below market interest rate, the Group used a valuation technique that include inputs that are based on observable market data. Management believes that the key assumptions used in the determination of the fair value are appropriate.

5. Revenue and costs of sales

5.1 Revenue

The following is an analysis of the Company's and Group's revenue for the year from continuing operations.

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
The Group's revenue comprises sale of goods as analysed below:				
Pharmaceuticals	9,320,452	8,003,206	8,869,289	7,609,441
Beverage	69,744	77,184	69,744	77,184
Total revenue	<u>9,390,196</u>	<u>8,080,390</u>	<u>8,939,033</u>	<u>7,686,625</u>
5.2 Costs of sales				
Total direct material costs	4,446,697	4,251,347	4,252,686	4,052,359
Total direct labour costs	395,517	383,430	395,517	383,430
Total direct expenses	643,991	393,573	643,991	393,573
Total factory overhead expenses	122,219	146,513	122,219	146,513
Total costs of sales	<u>5,608,424</u>	<u>5,174,863</u>	<u>5,414,413</u>	<u>4,975,875</u>
Gross profit	<u>3,781,772</u>	<u>2,905,527</u>	<u>3,524,620</u>	<u>2,710,750</u>
Gross margin	<u>40%</u>	<u>36%</u>	<u>39%</u>	<u>35%</u>

5.3 Segment Information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on both the types of goods or services delivered or provided and the market where the goods or services are delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows.

- Pharmaceuticals** - This segment is involved in the production and sale of human pharmaceuticals and human vaccines.
- Beverage** - This segment is involved in the production of beverage drinks including bottled water.

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	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
5.3.1 Segment revenue				
Pharmaceuticals	9,320,452	8,003,206	8,869,289	7,609,441
Beverage	69,744	77,184	69,744	77,184
	<u>9,390,196</u>	<u>8,080,390</u>	<u>8,939,033</u>	<u>7,686,625</u>
5.3.1.1 Segment revenue reported above represents revenue generated from external customers.				
5.3.2 Segment profit				
Pharmaceuticals	3,778,588	2,878,395	3,521,436	2,683,618
Beverage	3,184	27,132	3,184	27,132
Total segment profit	3,781,772	2,905,527	3,524,620	2,710,750
Other operating income (Note 6)	45,676	84,852	44,881	78,574
Central administration costs and directors' salaries	(2,420,017)	(1,981,822)	(2,246,578)	(1,799,326)
Finance costs	(135,047)	(95,299)	(135,184)	(95,299)
Share of loss of joint venture	(24,058)	(12,664)	-	-
Profit before tax	<u>1,248,326</u>	<u>900,594</u>	<u>1,187,739</u>	<u>894,699</u>

5.3.3 Segment accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment without allocation of central administration costs and directors' salaries, selling, marketing and distribution expenses, other operating income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5.3.4 Segment assets and liabilities

The Chief Executive Officer does not assess segment performance based on reports on segment assets and liabilities.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5.3.5 Information about major customers

There are no customers that represent more than 10% of the total revenue of any of the reported segments.

5.3.6 Geographical information

The Group operates in Lagos and West, East and North principal geographical areas. The Group's revenue from continuing operations from external customers by location of operations are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	Revenue from	Revenue from	Revenue from	Revenue from
	external	external	external	external
	customers	customers	customers	customers
	₦'000	₦'000	₦'000	₦'000
East	2,915,766	2,740,400	2,790,102	2,594,781
West	2,052,365	1,605,799	2,025,086	1,562,472
Lagos	3,087,170	2,715,149	2,832,836	2,561,535
North	1,334,895	1,019,042	1,291,008	967,837
	<u>9,390,196</u>	<u>8,080,390</u>	<u>8,939,033</u>	<u>7,686,625</u>

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
6. Other operating income				
Insurance indemnity (Note 6.1)	7,281	25,276	7,281	25,276
Income on contract manufacturing	21,667	3,962	21,667	3,962
Rental income(Note 6.2)	7,783	8,200	7,783	8,200
Provision no longer required	1,990	-	1,990	-
Profit on disposal of property, plant and equipment	6,955	6,427	6,160	6,427
Exchange gain	-	40,987	-	34,709
	<u>45,676</u>	<u>84,852</u>	<u>44,881</u>	<u>78,574</u>

6.1 Income earned on insurance claim received from HOGG Robinson and BCN insurance broker.

6.2 The rental income is earned on some part of the floor space of the company's Ikeja factory which is leased out to some other companies.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
7. Expenses by nature				
Personnel expenses	295,394	282,877	279,335	267,997
Depreciation and amortisation	52,316	50,036	51,704	49,782
Repairs and maintenances	21,664	31,484	21,664	28,827
Transport and travelling expenses	87,678	97,822	82,405	91,327
Insurance expenses	34,151	22,450	34,151	22,450
Licensing/registration	9,412	7,221	6,758	3,215
Director's emolument and expenses	116,825	83,061	116,825	83,061
Director's fees	7,750	7,750	7,750	7,750
Public relations, promotions and advertisements	4,262	2,103	4,262	2,103
Subscriptions and dues	11,561	7,587	6,106	7,587
Audit fees	13,326	12,000	11,600	10,500
Legal and professional charges	13,968	21,449	13,968	17,795
Printing, stationery and promotional material	10,846	12,910	10,321	11,745
Security expenses	20,594	19,509	20,594	19,509
Obsolete stock written off	13,828	-	-	-
Telephone and postages expenses	7,128	7,379	5,538	5,894
Company Secretary and AGM expenses	14,875	10,149	14,875	10,149
Admin and Management expense	11,718	15,357	11,718	15,357
Electricity and generator expenses	4,878	1,930	4,878	1,930
Bank charges and commissions	27,638	29,577	21,161	19,770
Exchange loss	132,169	-	126,284	-
IT expenses	25,020	29,827	25,020	29,827
Office and quarters expenses	30,921	31,812	24,913	24,158
	967,922	784,291	901,830	730,734
7.1 Expenses by function				
Costs of sales (Note 5.2)	5,608,424	5,174,864	5,414,413	4,975,876
Distribution, Sales and marketing expenses	1,452,095	1,197,531	1,344,748	1,068,592
Administrative expenses (Note 7)	967,922	784,290	901,830	730,733
	8,028,441	7,156,685	7,660,991	6,775,201
8. Net finance costs				
Financial liabilities held at amortized cost:				
Interest on loans and overdraft	228,799	156,116	228,799	156,116
Interest on deferred income realised (Note 8.1)	(70,712)	(23,843)	(70,712)	(23,843)
Interest income	(23,040)	(36,974)	(22,903)	(36,974)
Total net finance costs	135,047	95,299	135,184	95,299

8.1 This relates to the fair value gain on the CBN and Bank of Industry loan account now realised.

8.3 Included in the amount was Nil (Dec 2020 : Nil) representing interest on loans from related party.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
9. Taxation				
9.1 Income tax expense				
Back duty assessment charge:				
Income tax	10,755	-	10,755	-
Education tax	10,433	-	10,433	-
Capital Gains tax	4,334	-	4,334	-
	25,522	-	25,522	-
Write back of Over provision in prior year				
Income tax	(22,994)	-	(22,994)	-
Education tax	(1,517)	-	(1,517)	-
	1,011	-	1,011	-
Current year charge:				
Income tax	438,613	98,677	438,613	98,677
Education tax	39,329	25,328	39,329	25,328
	478,953	124,005	478,953	124,005
Over provision in prior year				
Capital Gains tax	616	643	616	643
Total current tax expense	479,569	124,648	479,569	124,648
9.2 Deferred tax on origination and reversal of temporary differences:				
Deferred tax (Note 9.3)	(195,807)	59,818	(195,807)	59,818
Total deferred tax charge	(195,807)	59,818	(195,807)	59,818
Total income tax expense	283,762	184,466	283,762	184,466
Factors affecting tax expenses for the year				
Profit before tax as shown in the consolidated and separate income statement	1,248,326	900,594	1,187,739	894,699
Expected income tax expense on profit at statutory tax rate (30%)	374,498	270,178	356,322	268,410
Effect of portion of income taxed on a different basis - education tax	39,329	25,328	39,329	25,328
Effect of minimum taxation	5,556	5,556	-	-
	419,382	301,062	395,650	293,738
Effective tax rate	34%	33%	33%	33%

No income tax was recognised directly in equity.

No income tax was recognised in other comprehensive income.

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
9.2 Current tax liabilities				
Income tax payable (Note 9.4)	<u>478,593</u>	<u>141,047</u>	<u>478,558</u>	<u>141,047</u>

9.3 Deferred tax balances

The following is the analysis of the deferred tax assets presented in the consolidated and separate and separate statements of financial position:

Deferred tax liabilities	<u>779,853</u>	<u>974,163</u>	<u>777,720</u>	<u>973,527</u>
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	Group				Company			
	Opening balance	Recognised in profit or loss	Other Comprehensive income	Closing balance	Opening balance	Recognised in profit or loss	Other Comprehensive income	Closing balance
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
9.3.1 2020								
Deferred tax liabilities/(assets) in relation to:								
Property, plant and equipment	725,368	(154,113)	-	571,255	725,555	(154,113)	-	571,442
Retirement benefit obligations	(201,207)	(3,102)	-	(204,309)	(201,298)	(3,102)	-	(204,400)
Recognised on asset revaluation	45,349	(37,871)	-	7,478	45,349	(37,871)	-	7,478
Provision for doubtful debts	<u>404,653</u>	<u>1,412</u>	<u>(636)</u>	<u>405,429</u>	<u>403,921</u>	<u>(721)</u>	<u>-</u>	<u>403,200</u>
	<u>974,163</u>	<u>(193,674)</u>	<u>(636)</u>	<u>779,853</u>	<u>973,527</u>	<u>(195,807)</u>	<u>-</u>	<u>777,720</u>

9.3.2 2019

Deferred tax liabilities/(assets)

in relation to:

Property, plant and equipment	674,557	50,811	-	725,368	674,744	50,811	-	725,555
Retirement benefit obligations	(199,801)	(1,406)	-	(201,207)	(199,892)	(1,406)	-	(201,298)
Recognised on asset revaluation	-	-	45,349	45,349	-	-	45,349	45,349
Provision for doubtful debts	<u>394,843</u>	<u>10,413</u>	<u>(603)</u>	<u>404,653</u>	<u>393,508</u>	<u>10,413</u>	<u>-</u>	<u>403,921</u>
	<u>869,599</u>	<u>59,818</u>	<u>44,746</u>	<u>974,163</u>	<u>868,360</u>	<u>59,818</u>	<u>45,349</u>	<u>973,527</u>

There are no unrecognised deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised.

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
9.4 Income tax				
Analysis of movements in the current tax balance during the year:				
At 1 January	141,047	212,201	141,047	212,201
Income tax	<u>426,374</u>	<u>98,677</u>	<u>426,374</u>	<u>98,677</u>
Education tax	<u>48,245</u>	<u>25,328</u>	<u>48,245</u>	<u>25,328</u>
Capital Gains Tax	<u>4,950</u>	<u>643</u>	<u>4,950</u>	<u>643</u>
Tax paid during the year	<u>(142,024)</u>	<u>(195,802)</u>	<u>(142,059)</u>	<u>(195,802)</u>
At 31 December	<u>478,593</u>	<u>141,047</u>	<u>478,558</u>	<u>141,047</u>

9.4.1 Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the impact of corporate restructurings, the resolution of open issues, future planning opportunities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
10. Basic earnings per share				
Profit for the year attributable to equity holders	964,564	716,128	903,977	710,233
Earnings from continuing operations	964,564	716,128	903,977	710,233
Number of shares				
Weighted average number of shares for basic earning per share	1,725,234	1,725,234	1,725,234	1,725,234
Effect of dilutive potential share: restricted shares and share options	-	-	-	-
Weighted average number of shares for diluted earnings per share	1,725,234	1,725,234	1,725,234	1,725,234
Earnings/(loss) per share (kobo) - from discontinued operations				
- Basic	56	42	52	41
- Diluted	56	42	52	41
Earnings per share (kobo)-from continuing operations				
- Basic	56	42	52	41
- Diluted	56	42	52	41
11. Operating profit				
Operating profit has been arrived after charging/(crediting):				
Depreciation and amortisation expenses	546,624	463,309	533,216	458,680
Staff costs	783,530	745,578	745,304	709,889
Profit on disposal of property, plant and equipment	6,955	6,427	6,160	6,427
Audit fees	13,326	12,000	11,600	10,500

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property, plant and equipment

a. The Group

The movement on this account during the year was as follows:

	Freehold land N'000	Building N'000	Plant & Machinery N'000	Furniture & fitting N'000	Computer & office equipment N'000	Trucks & Motor Vehicles N'000	Factory Equipment N'000	Capital work-in- progress N'000	Total N'000
Cost									
At 1 January, 2019	183,565	2,108,808	2,965,864	75,694	299,171	568,674	-	470,335	6,672,111
Additions	6,568	76,783	57,224	2,054	11,806	271,677	181	699,206	1,125,499
Reclassified	(20,021)	20,021	(41,927)	-	-	-	41,927	-	-
Transfers	164,055	333,124	603,610	-	(8,273)	-	-	(1,092,518)	(2)
Disposals	-	-	(10,104)	-	-	(92,891)	-	-	(102,995)
At 31 December, 2019	334,167	2,538,736	3,574,667	77,748	302,704	747,460	42,108	77,023	7,694,613
At 1 January, 2020	334,167	2,538,736	3,574,667	77,748	302,704	747,460	42,108	77,023	7,694,613
Additions	500	56,070	57,565	5,447	18,521	185,473	-	647	324,222
Disposals	-	-	(1,125)	-	-	(109,671)	-	-	(110,796)
At 31 December, 2020	334,667	2,594,806	3,631,107	83,195	321,225	823,262	42,108	77,670	7,908,039
Depreciation and Impairment									
At 1 January, 2019	-	496,764	1,946,299	55,953	256,104	412,391	-	-	3,167,511
Charge for the year	-	70,744	274,459	5,476	4,747	91,691	16,191	-	463,308
Reclassified	-	-	(14,177)	-	-	-	14,177	-	-
Disposals	-	-	(10,104)	-	-	(91,678)	-	-	(101,782)
At 31 December, 2019	-	567,508	2,196,477	61,429	260,851	412,404	30,368	-	3,529,037
At 1 January, 2020	-	567,508	2,196,477	61,429	260,851	412,404	30,368	-	3,529,037
Charge for the year	-	46,405	350,121	5,744	15,768	123,132	5,454	-	546,624
Disposals	-	-	(947)	-	-	(105,332)	-	-	(106,279)
At 31 December, 2020	-	613,913	2,545,651	67,173	276,619	430,204	35,822	-	3,969,382
Carrying amounts:									
At 31 December, 2020	334,667	1,980,893	1,085,456	16,022	44,606	393,058	6,286	77,670	3,938,657
At 31 December, 2019	334,167	1,971,228	1,378,190	16,319	41,853	335,056	11,740	77,023	4,165,576

a) Included in the depreciation charged for the year was N52,029,545 (December 2019 : N50,035,636) in the administrative expenses, N91,685,461 (December 2019 : N68,643,000) in the distribution, sales and marketing and a charge of N413,386,403 (December 2019 : N346,646,000) to costs of sales in the statement of profit or loss and other comprehensive income for the Group.

b) The Group has not pledged any of its items of property plant and equipment as security for liabilities.

c) No impairment of property, plant and equipment during the year.

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property, plant and equipment

b. Company

The movement on this account during the year was as follows:

	Freehold land N'000	Building N'000	Plant & Machinery N'000	Furniture & fitting N'000	Computer & office equipment N'000	Trucks & Motor Vehicles N'000	Factory Equipment N'000	Capital work-in- progress N'000	Total N'000
Cost									
At 1 January 2019	183,565	2,108,808	2,964,305	74,295	299,171	540,901	-	470,335	6,641,380
Additions	6,568	76,783	57,021	2,054	11,806	255,297	181	699,206	1,108,916
Reclassified	(20,021)	20,021	(41,927)	-	-	-	41,927	-	-
Transfers	164,055	333,124	603,610	-	(8,273)	-	-	(1,092,518)	(2)
Disposals	-	-	(10,104)	-	-	(92,891)	-	-	(102,995)
At 31 December 2019	334,167	2,538,736	3,572,905	76,349	302,704	703,307	42,108	77,023	7,647,299
At 1 January 2020	334,167	2,538,736	3,572,905	76,349	302,704	703,307	42,108	77,023	7,647,299
Additions	500	56,070	56,428	5,447	18,521	160,454	-	647	298,066
Disposals	-	-	(1,125)	-	-	(95,730)	-	-	(96,855)
At 31 December 2020	334,667	2,594,806	3,628,208	81,796	321,225	768,031	42,108	77,670	7,848,510
Depreciation and Amortisation									
At 1 January, 2019	-	496,764	1,944,741	55,119	256,104	389,301	-	-	3,142,029
Charge for the year	-	70,744	274,376	5,305	4,747	87,316	16,191	-	458,679
Reclassified	-	-	(14,177)	-	-	-	14,177	-	-
Disposals	-	-	(10,104)	-	-	(91,678)	-	-	(101,782)
At 31 December 2019	-	567,508	2,194,836	60,424	260,851	384,939	30,368	-	3,498,926
At 1 January 2020	-	567,508	2,194,836	60,424	260,851	384,939	30,368	-	3,498,926
Charge for the year	-	46,405	349,572	5,648	15,768	110,369	5,454	-	533,216
Disposals	-	-	(947)	-	-	(91,391)	-	-	(92,338)
At 31 December 2020	-	613,913	2,543,461	66,072	276,619	403,917	35,822	-	3,939,804
Carrying amounts:									
At 31 December 2020	334,667	1,980,893	1,084,747	15,724	44,606	364,114	6,286	77,670	3,908,706
At 31 December 2019	334,167	1,971,228	1,378,069	15,925	41,853	318,368		77,023	4,148,373

(a) Included in the depreciation charged for the year was N51, 703, 546 (December 2019 : N49,781,636) in the administrative expenses, N78,827,461 (December 2019 : N64,268,395) in the distribution, sales and marketing and a charge of N412,837,403 (December 2019 : N346,646,000) to costs of sales in the statement of profit or loss and other comprehensive income for the Company.

(b) The Company has not pledged any of its items of property plant and equipment as security for liabilities.

(c) No impairment of property, plant and equipment during the year

13. Intangible assets

Cost:

At 31 December

Group		Company	
2020	2019	2020	2019
N'000	N'000	N'000	N'000

44,865	44,865	44,865	44,865
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Accumulated amortisation and impairment loss:

At 1 January 2019

Amortisation charge in the year

4,233	-	4,233	-
10,158	4,233	10,158	4,233

At 31 December

14,391	4,233	14,391	4,233
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Carrying amount

30,474	40,632	30,474	40,632
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13.1 Included in the depreciation charged for the year was amortisation of N10,158,083 (December 2019 : 4,233,000) in the administrative expenses.

13.2 No impairment of intangible assets during the year

13.3 All intangible assets owned by the Group comes from the Parent company.

(b) This represents cost of Microsoft Navision accounting software purchased and capitalised in 2019

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Held by (Units)	% voting power	Place of Incorporation of operation	Group		Company	
	In thousand			2020 N'000	2019 N'000	2020 N'000	2019 N'000
14. Investment in subsidiaries							
Carrying amount-at costs							
Osworth Nigeria Limited (Note 16i)	1,000	100%	Nigeria	-	-	1,000	1,000
Servisure Nigeria Limited (Note 16ii)	1,000	100%	Nigeria	-	-	1,000	1,000
Tydipack Nigeria Limited (Note 16iii)	1,000	100%	Nigeria	-	-	1,000	1,000
				-	-	3,000	3,000

i) **Osworth Nigeria Limited:** A Company incorporated in Nigeria in 1st September 2008 and engaged in distribution and sales of healthcare and pharmaceutical products

ii) **Servisure Nigeria Limited:** A Company incorporated in Nigeria in 17th December, 2009 and engaged in healthcare and industrial packaging.

iii) **Tydpack Nigeria Limited:** A Company incorporated in Nigeria in 14th December 2009 and engaged in distribution and sales of healthcare and pharmaceutical products

14.1. The Company has control over the three subsidiaries and has consolidated them in the current year.

The investment is represented by one million ordinary shares of N1 each in Osworth Nigeria Limited, Tydpack Nigeria Limited and Servisure Nigeria Limited. The investment is carried at cost.

Condensed results of consolidated entities

31 December 2020

	Parent - May and Baker Nigeria Plc N'000	Osworth Nigeria Limited N'000	Servisure Nigeria Limited N'000	Tydpacks Nigeria Limited N'000	Total N'000	Elimination N'000	Group N'000
14.2.1 Condensed statement of profit or loss and other comprehensive income							
Revenue	8,939,033	597,574	-	-	9,536,607	(146,410)	9,390,197
Cost of sales	(5,414,413)	(337,234)	-	-	(5,751,647)	143,223	(5,608,424)
Gross profit	3,524,620	260,340	-	-	3,784,960	(3,187)	3,781,773
Other operating income	44,881	795	-	-	45,676	-	45,676
Distribution, sales and marketing expenses	(1,344,748)	(107,347)	-	-	(1,452,095)	-	(1,452,095)
Administrative expenses	(901,830)	(62,809)	(1,713)	(1,570)	(967,922)	-	(967,922)
Operating profit	1,322,923	90,979	(1,713)	(1,570)	1,410,619	(3,187)	1,407,432
Net Finance cost	(135,184)	137	-	-	(135,047)	-	(135,047)
Share of loss in joint ventures	-	-	-	-	-	(24,058)	(24,058)
Profit/loss before tax	1,187,739	91,116	(1,713)	(1,570)	1,275,572	(27,245)	1,248,327
Income tax expenses	(283,762)	-	-	-	(283,762)	-	(283,762)
Profit/loss after tax	903,977	91,116	(1,713)	(1,570)	991,810	(27,245)	964,565

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31 December 20120

	Parent - May and Baker Nigeria Plc N'000	Osworth Nigeria Limited N'000	Servisure Nigeria Limited N'000	Tydirpacks Nigeria Limited N'000	Total N'000	Elimination N'000	Group N'000
14.2.2 Condensed statement of financial position							
Assets							
Non-current assets							
Property, plant and equipment	3,908,706	29,952	-	-	3,938,658	-	3,938,658
Intangible assets	30,474	-	-	-	30,474	-	30,474
Investment in subsidiaries	3,000	-	-	-	3,000	(3,000)	-
Investment in Joint Venture	1,326,886	-	-	-	1,326,886	(125,964)	1,200,922
	<u>5,269,066</u>	<u>29,952</u>	<u>-</u>	<u>-</u>	<u>5,299,018</u>	<u>(128,964)</u>	<u>5,170,054</u>
Current assets							
Inventories	2,345,677	97,092	-	-	2,442,769	(3,187)	2,439,582
Trade and other receivables	1,266,128	59,115	15,214	-	1,340,457	25,807	1,366,264
Other current assets	1,401,113	-	-	-	1,401,113	3,711	1,404,824
Due from related parties	213,028	-	-	-	213,028	(213,028)	-
Cash and cash equivalents	3,825,500	144,431	44	1,463	3,971,438	-	3,971,438
	<u>9,051,446</u>	<u>300,638</u>	<u>15,258</u>	<u>1,463</u>	<u>9,368,805</u>	<u>(186,697)</u>	<u>9,182,108</u>
Total assets	<u>14,320,513</u>	<u>330,590</u>	<u>15,258</u>	<u>1,463</u>	<u>14,667,824</u>	<u>(315,661)</u>	<u>14,352,163</u>
Equity and liabilities							
Ordinary shares	862,617	1,000	1,000	1,000	865,617	(3,000)	862,617
Share premium	3,012,065	-	-	-	3,012,065	-	3,012,065
Retained earnings	2,483,243	120,768	(2,620)	(7,461)	2,593,930	(134,811)	2,459,119
Asset revaluation reserve	408,144	-	-	-	408,144	-	408,144
	<u>6,766,069</u>	<u>121,768</u>	<u>(1,620)</u>	<u>(6,461)</u>	<u>6,879,756</u>	<u>(137,811)</u>	<u>6,741,945</u>
Liabilities							
Non-current liabilities							
Loans and borrowings	2,507,283	-	-	-	2,507,283	-	2,507,283
Post employment benefits	43,944	-	-	-	43,944	-	43,944
Deferred tax liabilities	777,720	2,133	-	-	779,853	-	779,853
Deferred fair value gain on loan	460,449	-	-	-	460,449	-	460,449
	<u>3,789,396</u>	<u>2,133</u>	<u>-</u>	<u>-</u>	<u>3,791,529</u>	<u>-</u>	<u>3,791,529</u>
Current liabilities							
Loans and borrowings	1,688,420	-	-	-	1,688,420	(44,253)	1,644,167
Trade and other payables	1,245,462	206,654	16,878	7,924	1,476,918	(133,597)	1,343,321
Due to related party	222,235	-	-	-	222,235	-	222,235
Current tax liabilities	478,558	35	-	-	478,593	-	478,593
Deferred fair value gain on loan	130,372	-	-	-	130,372	-	130,372
	<u>3,765,047</u>	<u>206,689</u>	<u>16,878</u>	<u>7,924</u>	<u>3,996,538</u>	<u>(177,850)</u>	<u>3,818,688</u>
Total liabilities	<u>7,554,443</u>	<u>208,822</u>	<u>16,878</u>	<u>7,924</u>	<u>7,788,067</u>	<u>(177,850)</u>	<u>7,610,217</u>
Total equity and liabilities	<u>14,320,512</u>	<u>330,590</u>	<u>15,258</u>	<u>1,463</u>	<u>14,667,823</u>	<u>(315,661)</u>	<u>14,352,163</u>

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31 December 2019

	Parent - May and Baker Nigeria Plc N'000	Osworth Nigeria Limited N'000	Servisure Nigeria Limited N'000	Tydipacks Nigeria Limited N'000	Total N'000	Elimination N'000	Group N'000
14.2.3 Condensed statement of profit or loss and other comprehensive income							
Revenue	7,686,625	393,765	-	-	8,080,390	-	8,080,390
Cost of sales	(4,975,875)	(198,988)	-	-	(5,174,863)	-	(5,174,863)
Gross profit	2,710,750	194,777	-	-	2,905,527	-	2,905,527
Other operating income	78,574	6,278	-	-	84,852	-	84,852
Distribution, sales and marketing expenses	(1,068,592)	(128,907)	-	-	(1,197,499)	(32)	(1,197,531)
Administrative expenses	(730,734)	(41,155)	(1,165)	(1,430)	(774,484)	(9,807)	(784,291)
Operating profit	989,998	30,993	(1,165)	(1,430)	1,018,396	(9,839)	1,008,557
Net Finance cost	(95,299)	(9,806)	-	-	(105,105)	9,806	(95,299)
Share of loss in joint ventures	-	-	-	-	-	(12,664)	(12,664)
Profit/loss before tax	894,699	21,187	(1,165)	(1,430)	913,291	(12,697)	900,594
Income tax expense	(184,466)	(8,844)	(3)	(3)	(193,316)	8,850	(184,466)
Profit/loss after tax	<u>710,233</u>	<u>12,343</u>	<u>(1,168)</u>	<u>(1,433)</u>	<u>719,975</u>	<u>(3,847)</u>	<u>716,128</u>

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31 December 2019

	Parent - May and Baker Nigeria Plc N'000	Osworth Nigeria Limited N'000	Servisure Nigeria Limited N'000	Tydirpacks Nigeria Limited N'000	Total N'000	Elimination N'000	Group N'000
14.2.4 Condensed statement of financial position							
Assets							
Non-current assets							
Property, plant and equipment	4,148,373	17,203	-	-	4,165,576	-	4,165,576
Intangible assets	40,632	-	-	-	40,632	-	40,632
Investment in subsidiaries	3,000	-	-	-	3,000	(3,000)	-
Investment in Joint Venture	1,326,886	-	-	-	1,326,886	(101,906)	1,224,980
	<u>5,518,891</u>	<u>17,203</u>	<u>-</u>	<u>-</u>	<u>5,536,094</u>	<u>(104,906)</u>	<u>5,431,188</u>
Current assets							
Inventories	1,443,968	147,096	-	-	1,591,064	-	1,591,064
Trade and other receivables	1,532,123	67,255	15,214	-	1,614,592	(3,659)	1,610,933
Other assets	327,759	-	-	-	327,759	1,922	329,681
Due from related party	190,465	-	-	-	190,465	(190,465)	-
Cash and cash equivalents	460,722	66,610	44	1,463	528,839	1,738	530,577
	<u>3,955,037</u>	<u>280,961</u>	<u>15,258</u>	<u>1,463</u>	<u>4,252,719</u>	<u>(190,464)</u>	<u>4,062,255</u>
Total assets	<u>9,473,928</u>	<u>298,164</u>	<u>15,258</u>	<u>1,463</u>	<u>9,788,813</u>	<u>(295,370)</u>	<u>9,493,443</u>
Equity and liabilities							
Ordinary shares	862,617	1,000	1,000	1,000	865,617	(3,000)	862,617
Share premium	3,012,065	-	-	-	3,012,065	-	3,012,065
Retained earnings	2,010,576	29,655	(907)	(5,891)	2,033,433	(107,569)	1,925,864
Asset revaluation reserve	408,144	-	-	-	408,144	-	408,144
	<u>6,293,402</u>	<u>30,655</u>	<u>93</u>	<u>(4,891)</u>	<u>6,319,259</u>	<u>(110,569)</u>	<u>6,208,690</u>
Liabilities							
Non-current liabilities							
Loans and borrowings	-	-	-	-	-	-	-
Post employment benefits	49,192	-	-	-	49,192	155	49,347
Deferred tax liabilities	973,527	2,133	-	-	975,660	(1,497)	974,163
	<u>1,022,719</u>	<u>2,133</u>	<u>-</u>	<u>-</u>	<u>1,024,852</u>	<u>(1,342)</u>	<u>1,023,510</u>
Current liabilities							
Loans and borrowings	482,506	-	-	-	482,506	-	482,506
Trade and other payables	1,308,289	257,966	15,162	6,351	1,587,768	(176,043)	1,411,725
Due to related party	225,965	-	-	-	225,965	-	225,965
Current tax liabilities	141,047	7,410	3	3	148,463	(7,416)	141,047
Deferred income	-	-	-	-	-	-	-
	<u>2,157,807</u>	<u>265,376</u>	<u>15,165</u>	<u>6,354</u>	<u>2,444,702</u>	<u>(183,459)</u>	<u>2,261,243</u>
Total liabilities	<u>3,180,526</u>	<u>267,509</u>	<u>15,165</u>	<u>6,354</u>	<u>3,469,554</u>	<u>(184,801)</u>	<u>3,284,753</u>
Total equity and liabilities	<u>9,473,928</u>	<u>298,164</u>	<u>15,258</u>	<u>1,463</u>	<u>9,788,813</u>	<u>(295,370)</u>	<u>9,493,443</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. Investment in Joint Ventures

This investment is accounted using equity method in these consolidated financial statements. Details of the Group's material Joint Ventures at the end of the year is as follows:

Nature of Joint Ventures	Principal activities	Place of Incorporation of operation	Held by (Units) In thousand	% voting power
JV Biovaccine Nigeria Ltd	Production, sales and distribution of human vaccines	Nigeria	51,000	51%
			2020 ₦'000	2019 ₦'000

15.1 Summarised financial information of Joint Venture

The summarised financial information below represents amounts shown in the Joint Venture's financial statements.

Biovaccine Nigeria Limited

Current assets	480,075	506,736
Non-current assets	1,584,901	1,588,356
Current liabilities	(20,071)	(3,013)
Non-current liabilities	-	-
The following amounts have been included in the amounts above:		
Cash and cash equivalents	254,185	272,661
Current financial liabilities(excluding trade and other payables and provisions)	(1,563,793)	(3,013)
Non-current financial liabilities(excluding trade and other payables and provisions)	-	-

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	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
15.2 Revenue	-	-	-	-
Loss from continuing operations	(47,172)	(24,832)	(107,836)	(107,836)
Loss for the year	(47,172)	(24,832)	(107,836)	(107,836)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	(47,172)	(24,832)	(107,836)	(107,836)
The following amounts have been included in the amounts above:				
Depreciation	(8,649)	(8,333)	(14,928)	(14,928)
Interest income	-	-	-	-
Interest expense	(612)	(267)	(18)	(18)
15.2.1 Reconciliation of the summarised financial information to the carrying amount of the interest in the joint venture recognised in the Group's financial statements				
Net assets of the joint venture	2,044,905	2,092,079	843,516	843,516
Proportion of the Group's ownership interest in the joint ventures	51%	51%	51%	51%
Gross amount of the Group's interest in the joint venture	1,042,902	1,066,960	430,193	430,193
Amount payable to Biovaccine Nigeria Limited	182,078	170,684	896,693	896,693
Share of accumulated loss from the joint ventures in the year	(24,058)	(12,664)	-	-
Carrying amount of the Group's interest in the joint venture	1,200,922	1,224,980	1,326,886	1,326,886

15.2.2 There are no contingent liabilities or capital commitments related to the Group's investment in associates or the joint venture.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
16. Inventories				
Raw materials	630,324	207,246	620,928	207,127
Packaging materials	414,234	260,054	408,721	248,833
Work-in-progress	213,750	230,239	192,224	230,239
Finished goods	738,257	694,967	680,788	559,211
Spare parts	245,808	116,192	245,808	116,192
Consumables	197,208	82,366	197,208	82,366
	<u>2,439,581</u>	<u>1,591,064</u>	<u>2,345,677</u>	<u>1,443,968</u>

(a) Inventories value of N2.346 million (2019 : N1,444 million) were carried at net realisable value. There are no inventories pledge as securities for liabilities.

(b) Inventory written down during the year amounted to N27.28 million (2019: Nil).

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
17. Trade and other receivables				
Trade receivables				
Trade receivables (Note 17.1)	1,759,050	1,970,269	1,644,083	1,894,201
Less: allowance for doubtful debts (Note 17.3)	(471,224)	(424,442)	(454,225)	(409,349)
	<u>1,287,826</u>	<u>1,545,827</u>	<u>1,189,858</u>	<u>1,484,852</u>
Other receivables				
Staff loans and advances	336,550	254,399	332,574	234,601
Withholding tax recoverable	95,696	78,660	80,075	63,197
Refundable deposits to suppliers	5,999	7,257	5,999	7,257
VAT asset, ITF & Insurance claim	17,196	4,628	17,196	4,628
Sundry Debtors	-	42,350	-	42,350
	455,441	387,294	435,844	352,033
Less: Allowance for doubtful debts (Note 17.4)	(377,000)	(322,188)	(359,574)	(304,762)
Total other receivables	<u>78,441</u>	<u>65,106</u>	<u>76,270</u>	<u>47,271</u>
Total trade and other receivables	<u>1,366,267</u>	<u>1,610,933</u>	<u>1,266,128</u>	<u>1,532,123</u>

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17.1 Trade receivables

Trade and other receivables disclosed above are carried at cost less allowance for doubtful debts.

The average credit period taken on sales of goods is between 30-45 days. No interest is charged on the overdue receivables. In line with the provisions of IFRS 9 on financial instruments, the Company has developed an impairment matrix on all its trade receivables.

Before accepting any new customer, the company uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The internal credit scoring system are constantly reviewed.

The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counterparty.

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
17.2 Ageing of past due receivables:				
0 - 30 days	585,166	485,580	573,513	457,678
31 - 60 days	296,163	283,286	276,163	428,006
61 - 90 days	156,737	352,063	115,080	125,354
91 - 360 days	225,455	426,246	183,798	401,663
Over 360 days (Note 20.2a)	495,529	423,094	495,529	481,500
Total	<u>1,759,050</u>	<u>1,970,269</u>	<u>1,644,083</u>	<u>1,894,201</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
17.3 Movement in the allowance for doubtful debts-trade receivables				
At 1 January	424,442	399,557	409,349	391,785
Impairment losses recognised	85,031	34,501	83,125	27,180
Bad debt written off in the year	(38,249)	(9,616)	(38,249)	(9,616)
At 31 December	<u>471,224</u>	<u>424,442</u>	<u>454,225</u>	<u>409,349</u>

17.3.1 The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

17.4 Movement in the allowance for doubtful debts-other receivables

At 1 January	322,188	278,302	304,762	260,876
Adjustment on initial application of IFRS 9 (net of tax)	-	50	-	50
Reclassified from bank balance	-	42,500	-	42,500
Impairment losses recognised	54,812	1,336	54,812	1,336
At 31 December	<u>377,000</u>	<u>322,188</u>	<u>359,574</u>	<u>304,762</u>

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17.5 Receivables from related parties

The group has receivables/payables from related parties. These related parties are not part of the group but they are related in one way or the other. The bulk of these amounts do not arise from trade activities but usually from shared costs and other reimbursable.

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
18. Related Parties				
18.1 Due from related parties				
Receivable from related parties	-	-	213,028	190,465
18.2 Due to related party				
Payable to related party:				
Biovaccines Nig. Ltd. Shared costs Joint venture	222,235	225,965	222,235	225,965

18.3 The aggregate value of transactions and outstanding balances relating to these entities were as follows:

Related Parties	Nature of Transactions	Relationship	Group		Company	
			2020 ₦'000	2019 ₦'000	2020 ₦'000	2019 ₦'000
Receivable from related parties:						
Osworth Trading Co. Ltd.	Shared costs	Subsidiary	-	-	189,952	170,677
Servisure Nig. Ltd.	Shared costs	Subsidiary	-	-	16,402	14,687
Tydropacks Nig. Ltd.	Shared costs	Subsidiary	-	-	6,674	5,101
Total receivable from related parties:			-	-	213,028	190,465
Payable to related party:						
Biovaccines Nig. Ltd.	Shared costs	Joint venture	222,235	225,965	222,235	225,965
Net related parties amount			(222,235)	(225,965)	(9,207)	(35,500)
19. Other assets						
Advance payment to suppliers (Note 19.1)			1,130,400	136,082	1,130,400	136,082
Prepayments			259,190	193,599	255,479	191,677
FCMB Security deposit			15,234	-	15,234	-
			1,404,824	329,681	1,401,113	327,759

19.1 This represents amounts deposited awaiting supply of goods from the Suppliers.

20. Cash and cash equivalent as per statement of financial position

Cash in hand	68	11,360	68	9,578
Cash at bank	3,588,976	378,124	3,443,038	310,051
Short term placements (Note 20.2)	382,394	141,093	382,394	141,093
	3,971,438	530,577	3,825,500	460,722
20.1 Bank overdraft used for cash management (Note 24a)	(226)	(3,488)	(226)	(3,488)
Cash and cash equivalent as per statement of cashflow	3,971,212	527,089	3,825,274	457,234

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{a} Restricted cash

The short term deposits above is in respect of the unclaimed dividend balance that has been invested in a demand deposit account.

{b} Reconciliation of cash and bank balance to cash and equivalents.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdraft and commercial acceptances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
21. Share capital				
Authorised:				
6,000,000,000 ordinary shares of 50kobo each	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
21.1 Issued and fully paid:				
1,725,234,886 (Dec 2019: 980,000,000) ordinary shares of 50 kobo each	<u>862,617</u>	<u>862,617</u>	<u>862,617</u>	<u>862,617</u>
21.1.1 Minimum issued share capital for existing company – Section 124 of CAMA 2020				
In line with the company's regulations of 2020 released by the Corporate Affairs Commission in December 2020, a company that has an unissued shares in its capital shall not later than 30th June 2021 fully issue such shares.				
At 1 January	862,617	490,000	862,617	490,000
Right issue in the year	-	372,617	-	372,617
At 31 December	<u>862,617</u>	<u>862,617</u>	<u>862,617</u>	<u>862,617</u>
21.2 Share premium				
At 1 January	3,012,065	1,572,622	3,012,065	1,572,622
Right issue in the year	-	1,490,469	-	1,490,469
Share Issue Expenses (Note 22.2.1)	-	(51,026)	-	(51,026)
At 31 December	<u>3,012,065</u>	<u>3,012,065</u>	<u>3,012,065</u>	<u>3,012,065</u>
21.2.1 At the Board meeting held on 27 September 2018, the board unanimously decided to do a rights issue of 980,000,000 shares (1 for 1) at N2.50k to raise N2.45 billion. However the issue was completed at a 76% success rate with 745,234,886 shares taken thus raising N1,863,087,215.				
22. Retained earnings				
At 1 January	1,925,864	1,554,783	2,010,576	1,645,390
Profit for the year	964,564	716,128	903,977	710,233
Dividend declared and paid	<u>(431,309)</u>	<u>(345,047)</u>	<u>(431,309)</u>	<u>(345,047)</u>
At 31 December	<u>2,459,119</u>	<u>1,925,864</u>	<u>2,483,243</u>	<u>2,010,576</u>

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	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
22.1 All the profit of the Group is attributable to Owners of the Parents as there are no non-controlling interests.				
22.2 Asset revaluation reserve				
At 1 January	408,144	-	408,144	-
Arising during the year (Note 23.1.1)	-	80,000	-	80,000
Adjustment on revaluation surplus	-	373,493	-	373,493
Amount reinstated	408,144	453,493	408,144	453,493
Deferred tax on revaluation	-	(8,000)	-	(8,000)
Adjustment of deferred tax effect on revaluation	-	(37,349)	-	(37,349)
Amount reinstated	-	(45,349)	-	(45,349)
At 31 December	<u>408,144</u>	<u>408,144</u>	<u>408,144</u>	<u>408,144</u>
22.2.1 This represent valuation gain on investment in Biovaccine Joint Ventures.				
23. Loans and borrowings				
23.1 Secured amounts:				
Bank overdrafts (Note 23.3.1)	<u>226</u>	<u>3,488</u>	<u>226</u>	<u>3,488</u>
Term loans - CBN Intervention fund (Note 23.3.2)	665	52,926	665	52,926
Short term import facility (Note 23.3.3)	1,258,325	426,092	1,303,243	479,018
Term loans - CBN Loan 2 (Note 23.3.4)	845,148	-	845,148	-
Term loans - CBN 2.5B Loan (Note 23.3.5)	<u>1,662,135</u>	<u>-</u>	<u>1,662,135</u>	<u>-</u>
	<u>3,766,273</u>	<u>479,018</u>	<u>3,811,191</u>	<u>531,944</u>
Total borrowed fund	<u>3,766,499</u>	<u>482,506</u>	<u>3,811,417</u>	<u>535,432</u>

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	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
23.2 All the borrowings were obtained in naira, the functional currency of the Group. The principal features of the Company's borrowings are described below:				
23.3 Analysis by maturity:				
Current-due within 1 year as follows:				
Bank overdrafts (Note 23.3.1)	226	3,488	226	3,488
Term loans - CBN Intervention fund (Note 23.3.2)	665	52,926	665	52,926
Short term import facility (Note 23.3.3)	1,258,325	426,092	1,302,578	426,092
Term loans - CBN 1 B Loan 1 (Note 23.3.4)	593	-	593	-
Term loans - CBN 2.5 B Loan 2 (23.3.5)	384,357	-	384,357	-
Total current borrowed fund	1,644,167	482,506	1,688,420	482,506
Non-current-due after 1 year as follows:				
Term loans - CBN 1 B Loan 1 (Note 24.3.4.1)	845,148	-	845,148	-
Term loans - CBN 2.5 B Loan 2 (24.3.5.1)	1,662,135	-	1,662,135	-
Total non-current borrowed fund	2,507,283	-	2,507,283	-
Total borrowed fund	4,151,450	482,506	4,195,703	482,506
23.5 Movement in borrowings other than overdraft				
At 1 January	479,018	1,014,066	479,018	1,014,066
Addition/(repayment) of loans and borrowings	3,672,206	(535,048)	3,716,459	(535,048)
At 31 December	4,151,224	479,018	4,195,477	479,018

Summary of borrowing arrangements

23.3.1 Bank Overdrafts

The Bank Overdrafts are secured by a negative pledge on the Company's assets and their interest rate range from 16.5% and 19%. Bank overdrafts are repayable on demand.

Loans from BOI have been fully repaid during the year.

23.3.2 CBN intervention fund

A Central Bank of Nigeria (CBN) Intervention fund to Manufacturers in the sum of N920 million was received in October 2010 at 7 percent interest per annum. The CBN facility is in two parts with N700 million repayable in 40 equal quarterly instalments from January 2011 and N220 million working capital renewable half yearly. The facilities are covered by a negative pledge on the assets of the Company.

23.3.3 Short term import facility

This represents Import Finance Facility (IFF) lines obtained from 3 Nigerian banks namely: Fidelity Bank Plc FCMB and Zentih bank Plc. The IFF with First Bank Plc is with Naira cover. The IFF is used to finance the establishment of LC's for the importation of raw materials, spares and machineries. The IFF tenor is 365 days with each Letter of Credit having a 180 day cycle at an average interest rate of 6% pre Neg and 8% post Neg per annum.

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23.3.4 Central Bank of Nigeria (CBN) Loan 1

This represents N1 billion CBN Intervention Funds, via CBN DCRR, obtained through FCMB. The loan is to support the Company's proposed para plant FIRO/NIPRD projects. The tenor is 5 years inclusive of 6 months moratorium on the principal repayment interest rate of 9% per annum (subject to review in line with CBN guideline). Facility repayment will be from the proceeds of the sales and borrower other business activities and any other source(s) available to the bank. Interest rate of 5% per annum and to matured on 28 February 2021. Thereafter, interest will revert to 9% per annum from 1 March 2021.

23.3.5 Central Bank of Nigeria (CBN) Loan 2

This represents N2.5 billion CBN Intervention Funds, obtained through Fidelity bank Plc. Utilisation is made up of N2 billion which is to be used to finance/expand Company new and existing project (Code name facility type 1). Tenor is 10 year with (1) year moratorium on principal repayment only, while N500million (codename) facility type 2, is to be used to augment the company working capital requirement. Tenor is one year/365 days with option of roll over for a maximum of 3 years (subject to CBN approval). Repayment is cash inflows from the Company's daily operations and other sources available to the Company and acceptable to the bank via amortisation on a quarterly basis and fund remitted to the CBN. Interest rate of 5% per annum and to matured on 28 February 2021. Thereafter, interest will revert to 9% per annum from 1 March 2021.

24. Post employment benefits

i. The Group operates a contributory pension scheme of 18% where both employer and employee contribute 11% and 7% respectively of the gross emolument. Also management put in place gratuity for staff that have been in the employment of the company for a minimum of five (5) years and a long service grant.

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
24.1 Statement of financial position				
Defined benefit obligation schemes (Note 24.2)	43,944	49,347	43,944	49,192
24.2 Movement in benefit obligation scheme:				
At 1 January	49,347	100,018	49,192	98,372
Deducted during the year	13,027	15,813	12,442	15,590
Benefits remitted/ paid	(18,430)	(66,484)	(17,690)	(64,770)
At 31 December	43,944	49,347	43,944	49,192
24.3 The present value of the liabilities of the scheme				
The amount included in the statement of financial position arising from the Group's obligation in respect of its defined benefit scheme is as follows:				
Post employment benefits	43,944	49,347	43,944	49,192

With effect from 1 April 2019, the company introduced a new scheme known as 'sweetener'. The new scheme is to be applied at 4% on basic, housing and transport of the staff. This is payable monthly to FBN Quest, the fund administrators.

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	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
25. Trade and other payables				
Trade payables (Note 25.1)	343,299	887,501	343,298	820,519
Other payables (Note 25.2)	1,000,023	524,224	902,163	487,770
	1,343,322	1,411,725	1,245,461	1,308,289
25.2 Other payables:				
Accruals	635,464	278,926	547,736	248,423
National Housing Fund (Note 25.2.1)	2,280	524	2,280	524
Industrial Training Fund Levy (Note 25.2.1)	315	531	-	-
Nigeria Social & Industrial Training Fund (Note 25.2.1)	4,394	3,989	4,093	3,879
Unclaimed dividends	163,390	134,411	163,390	134,411
Co-operative liabilities	5,824	10,866	5,824	10,866
Credit balances in Trade Receivables	84,346	-	84,346	-
Distributors Refundable Deposit	241	241	241	241
Value added tax liabilities (Note 25.2.1)	2,743	745	-	627
Withholding tax liabilities (Note 25.2.1)	56,796	35,964	55,057	34,603
Pay-As-You-Earn liabilities (Note 25.2.1)	20,976	49,844	19,224	48,320
Staff Welfare Liabilities	4,255	1,234	1,993	132
Union Dues	(668)	1,424	(852)	1,168
Defined contribution schemes	19,667	5,525	18,831	4,576
	1,000,023	524,224	902,163	487,770

25.1 Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days. For most suppliers no interest is charged on the trade payables from the date of the invoice. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

25.1.1 The directors consider that the carrying amount of trade payables approximates to their fair value.

25.2.1 Statutory liabilities such as VAT, WHT, PAYE, NHF, ITF, NSITF are expected to be settled in line with the relevant laws/regulations setting them up. With the exception of ITF which is payable yearly, the rest are payable monthly.

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
26. Deferred fair value gain on loan				
Deferred fair value gain	590,822	-	590,821	-
Analysis of deferred fair value gain on loan into:				
26.1 Current portion	130,372	-	130,372	-
26.2 Non current portion	460,449	-	460,449	-

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26.1 These represent the benefit of CBN intervention loan at a below the market rate of interest measured at the difference between proceeds received and the fair value of the loan based on prevailing market interest rate. The day 1 gain has been recognised as deferred income that will be recognised in the profit or loss on a systematic basis over the tenure of the loan with re-measurement gain embedded in it. In the current year N18 million was released in the income statement to reduce the finance cost of the loan.

27. Guarantees and other financial commitments

Charges on asset

The bank loans and overdrafts are covered by a negative pledge on the company's assets.

Capital expenditure

Capital expenditure authorised by the Directors but not contracted was Nil (Dec 2019 : Nil).

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statements.

28. Contingent liabilities

There were no contingent liabilities resulting from litigations at 31 December 2020 (December 2019- Nil).

Appropriate provision has been made in these consolidated financial statements for likely liabilities arising from these cases.

29. Related party information

29.1 Identify related parties

The related parties to the company include:

Osworth Nigeria Limited - An wholly owned subsidiary of the Company involved in the distribution of pharmaceutical products.

Tydispicks Nigeria Limited- An wholly owned subsidiary of the Company involved in healthcare and industrial packaging.

Servisure Nigeria Limited- An wholly owned subsidiary of the Company involved in the distribution of pharmaceutical products.

TY Holdings Limited- A Company owned by the Chairman, Board of Directors.

Biovaccines Limited - Biovaccines Nigeria Limited is yet to commence commercial operations. Transactions on its behalf are mainly in respect of expenses incurred in maintaining its assets and personnel at its old site at Harvey Road, Yaba, Lagos. May & Baker Nigeria Plc therefore maintains an inter-company account with it for such transactions, including disbursements also made by Biovaccines Nigeria Limited on behalf of May & Baker Nigeria Plc.

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Key management personnel

The Key management personnel of the Group include its directors (both executive and non-executive) and other identified key management staff.

Senator Daisy Danjuma	Non-executive Director	
Mr. Nnamdi N Okafor	Executive Director	
Mr. Patrick Ajah	Executive Director	Appointed November 2020
Mr. I. Dankaro	Non-executive Director	
Mr. A. Adeleke	Non-executive Director	
Mrs. G. I. Odumodu	Non-executive Director	
Dr. Edugie Abebe	Non-exec Director	
Chief Samuel M. Onyishi	Non-exec Director	
Chukuka S. Chukutem	Executive Director	
Ayodeji S. Aboderin	Executive Director	
Valentine C. Okelu	Executive Director	
Mrs. Gladys N. Umoh	Head, Human Capital Div.	
Godwin O. Obiakor	Head, Internal Control, Risk/Compliance	
Mrs. Yetunde O. Adigun	Head, Pharma Plant manufacturing Div.	

29.2 Related party transactions

Balances and transactions between the company and its subsidiaries which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

Sales of goods to related parties were made at the group's usual price list. Purchases were made at the market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts due from and to related companies arose from sale and purchase of goods and services.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

There were no significant transactions with other related companies.

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29.3 Related party transactions

The Group's related party transactions are with Osworth Trading Co. Ltd, Servisure Nig. Ltd, Tydipacks Nig. Ltd & Biovaccines Nig.Ltd. At **31 December 2020**, the total invoices to and fro the related parties are analysed below:

	Osworth Trading Co. Ltd. ₦'000	Servisure Nig. Ltd. ₦'000	Tydipacks Nig. Ltd. ₦'000	Biovaccines Nig. Ltd. ₦'000	Total ₦'000
2020					
Group to the related parties	-	-	-	222,235	222,235
Related parties invoices to the Group	189,952	16,402	6,674	222,235	435,263
2019					
Group to the related parties	-	-	-	599,458	599,458
Related parties invoices to the Group	170,677	14,687	5,101	599,458	789,923

29.4 Loans to related parties

No loan was granted to any related entity or key management personnel or entities controlled by them.

29.5 Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Group		Company	
	2020 ₦'000	2019 ₦'000	2020 ₦'000	2019 ₦'000
Directors remuneration				
Directors fees	7,750	7,750	7,750	7,750
Salaries and allowances	116,825	83,061	116,825	83,061
	124,575	90,811	124,575	90,811

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	The Group		The Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
29.6a Staff costs				
The aggregate employee remuneration is as follows:				
Salaries and wages	704,670	673,162	670,392	640,908
Staff pension and gratuity	78,860	72,416	74,912	68,981
	<u>783,530</u>	<u>745,578</u>	<u>745,304</u>	<u>709,889</u>

29.6b Employees remunerated at a higher rates

The number of employees excluding Directors in respect of emoluments excluding provident fund contributions and allowances:

N	N				
250,001 -	300,000	19	44	19	44
300,001 -	350,000	17	15	17	15
350,001 -	400,000	18	-	18	-
400,001 -	450,000	12	4	12	4
450,001 -	500,000	18	29	17	29
500,001 -	550,000	14	17	14	17
550,001 -	600,000	10	14	10	14
600,001 -	650,000	11	33	11	25
650,001 -	600,000	12	31	12	31
700,001 and above		206	138	190	131
		<u>337</u>	<u>325</u>	<u>320</u>	<u>310</u>

The average number of persons in the employment of the Company in the financial year are as follows:

Managerial	16	16	15	15
Senior staff	166	165	151	151
Junior staff	155	144	154	144
	<u>337</u>	<u>325</u>	<u>320</u>	<u>310</u>

30 Financial Instruments

30.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its capital structure.

The capital structure of the Group is made up of debts (bank overdrafts, commercial papers and term loans) and equity comprising issued capital, retained earnings and share premium.

The Group is not subject to any externally imposed capital requirements.

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The Group's risk management team reviews the capital structure periodically. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The risk management team monitors the gearing ratio to ensure its within the Group's targeted level. The current gearing ratio of the Group and Company is as below:

	Group	
	2020	2019
	₦'000	₦'000
Gearing ratio		
The gearing ratio is as follows:		
Net debt		
Debt	3,766,273	479,018
Cash and cash equivalents	(3,971,438)	(530,577)
Net debt	(205,165)	(51,559)
Equity		
Ordinary shares	862,617	862,617
Share premium	3,012,065	3,012,065
Retained earnings	2,459,119	1,925,864
	6,333,801	5,800,546
Net debt to equity ratio	-3%	-1%

Debt is defined as current and non-current borrowings (as described in Note 25).

Equity includes all capital and reserves of the Group that are managed as capital.

30.2a Categories of financial instruments-Group

The groups financial assets and financial liabilities as at the reporting date is tabulated below:

	Carrying amount				
	Amortised			Non-	
	Cost	FVTPL	FVTOCI	financial	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2020					
Asset					
Property, plant and equipment	-	-	-	3,938,657	3,938,657
Intangible assets	-	-	-	30,474	30,474
Investment in Joint Venture	-	-	-	1,200,922	1,200,922
Inventories	-	-	-	2,439,581	2,439,581
Trade and other receivables	1,287,826	-	-	78,441	1,366,267
Other assets	-	-	-	1,404,824	1,404,824
Cash and cash equivalents	3,971,438	-	-	-	3,971,438
	5,259,264	-	-	9,092,900	14,352,164

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	Carrying amount			
	Amortised cost ₦'000	FVTPL ₦'000	Non- financial ₦'000	Total ₦'000
Liabilities				
Loans and borrowings	4,151,450	-	-	4,151,450
Deferred tax liabilities	-	-	779,853	779,853
Trade and other payables	-	-	1,343,322	1,343,322
Current tax liabilities	-	-	478,593	478,593
	<u>4,151,450</u>	<u>-</u>	<u>2,732,140</u>	<u>6,883,590</u>

The Group's financial assets and financial liabilities at the reporting date is tabulated below:

	Carrying amount				
	Amortised Cost ₦'000	FVTPL ₦'000	FVTOCI ₦'000	Non- financial ₦'000	Total ₦'000
31 December 2019					
Asset					
Property, plant and equipment	-	-	-	4,165,575	4,165,575
Intangible assets	-	-	-	40,632	40,632
Investment in Joint Venture	-	-	-	1,225,292	1,225,292
Inventories	-	-	-	1,591,064	1,591,064
Trade and other receivables	1,545,827	-	-	65,105	1,610,932
Other assets	-	-	-	329,681	329,681
Cash and cash equivalents	530,577	-	-	-	530,577
	<u>2,076,404</u>	<u>-</u>	<u>-</u>	<u>7,417,349</u>	<u>9,493,753</u>

	Carrying amount			
	Amortised cost ₦'000	FVTPL ₦'000	Non- financial ₦'000	Total ₦'000
Liabilities				
Loans and borrowings	482,506	-	-	482,506
Deferred tax liabilities	-	-	936,814	936,814
Trade and other payables	-	-	2,011,180	2,011,180
Current tax liabilities	-	-	141,047	141,047
Deferred income	-	-	-	-
	<u>482,506</u>	<u>-</u>	<u>3,089,041</u>	<u>3,571,547</u>

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The company's financial assets and financial liabilities as at the reporting date is tabulated below:

The Company's financial assets and financial liabilities at the reporting date is tabulated below:

31 December 2019	Carrying amount				
	Amortised Cost ₦'000	FVTPL ₦'000	FVTOCI ₦'000	Non- financial ₦'000	Total ₦'000
Asset					
Property, plant and equipment	-	-	-	4,148,374	4,148,374
Intangible assets	-	-	-	40,632	40,632
Investment in subsidiaries	-	-	-	3,000	3,000
Investment in Joint Venture	-	-	-	1,326,886	1,326,886
Inventories	-	-	-	1,443,968	1,443,968
Trade and other receivables	1,484,852	-	-	237,735	1,722,587
Other assets	-	-	-	327,759	327,759
Cash and cash equivalents	460,722	-	-	-	460,722
	1,945,574	-	-	7,528,354	9,473,928

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	Carrying amount			Total N'000
	Amortised cost N'000	FVTPL N'000	Non- financial N'000	
Liabilities				
Loans and borrowings	482,506	-	-	482,506
Deferred tax liabilities	-	-	936,178	936,178
Trade and other payables	-	-	1,907,747	1,907,747
Current tax liabilities	-	-	141,047	141,047
Deferred income	-	-	-	-
	<u>482,506</u>	<u>-</u>	<u>2,984,972</u>	<u>3,467,478</u>

30.3. Financial risk management objectives

The company's Corporate Treasury function provides services to the business, co-ordinates foreign exchange transactions, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's exposure to variations in foreign exchange rate and interest rates are minimal and the Company is not expected to be exposed to these risks at a higher than minimal level.

30.4. Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is minimal as the Group's borrowing activities are in local currency and trade customers are billed in Naira. Exposure to foreign exchange risk only relates to purchase of operating materials (e.g. raw materials and specialised products) abroad, this is minimised by restricting imports to circumstance where no local alternative exist. The Group makes use of letter of credit facilities to transact with foreign suppliers.

	Group and Company	
	2020	2019
Exposure to foreign currency		
Bank account:		
- in US Dollars	141,429	1,046
- in Euros	6,913	1
- in GBP	28	9,234

The Group is not materially exposed to foreign currency changes as most of trading transactions and borrowing activities are denominated in Naira.

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30.5. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
Exposure to credit risk				
Trade receivables	1,759,050	1,970,269	1,644,083	1,894,201
Other receivables	455,441	387,294	435,844	352,033
Bank balances	3,971,438	530,577	3,825,500	460,722
	<u>6,185,929</u>	<u>2,888,140</u>	<u>5,905,427</u>	<u>2,706,956</u>

30.5.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. A sales representative is attached to each customer and outstanding customer receivables are regularly monitored by the representative. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers, additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Collateral and other credit enhancements

The Group does not hold any collateral or other credit enhancements from customers. On a case by case basis the group creates a legal right of offset against any amount owed by the group to the counter party.

Concentration risk

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

There are no customers during the current reporting period that represents more than 5% of the total trade receivables.

30.5.2 Other receivables

This is mainly from due from related companies, staff loans, withholding tax recoverable, Sundry debtors and others. The Group's financial controller continuously monitors and reviews the receivables.

30.5.3 Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Surplus funds are spread amongst reputable commercial banks and funds must be within credit limits assigned to each counterparty.

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Counterparty credit limits are reviewed by the Group's financial controller periodically and may be updated throughout the year subject to approval of the Group's Chief Executive Officer. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

31 Liquidity risk management

The Group monitors its risk to a shortage of funds by maintaining a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. It also ensures that short term funds are used strictly for working capital purposes while capital projects are funded from long tenured borrowings. Access to sources of funding is sufficiently available.

32. Maturity analysis of financial instruments

The maturity profile of the Group's recognized financial instruments is detailed below:

	0-6 months ₦'000	6 months to 1 year ₦'000	1 year and above ₦'000	Total ₦'000
Group				
2020				
Financial assets				
Trade receivables	1,038,067	225,455	495,529	1,759,050
Other receivables	1,404,824	-	-	1,404,824
Cash and cash equivalent	3,971,438	-	-	3,971,438
	<u>6,414,329</u>	<u>225,455</u>	<u>495,529</u>	<u>7,135,312</u>
Financial liabilities				
Trade payables	343,299	-	-	343,299
Other payables	116,508	-	768,854	885,362
Term loans	1,643,941	-	2,507,283	4,151,224
Bank overdrafts	226	-	-	226
	<u>2,103,974</u>	<u>-</u>	<u>3,276,137</u>	<u>5,380,111</u>
2019				
Financial assets				
Trade receivables	1,120,929	426,246	423,094	1,970,269
Other receivables	329,681	-	-	329,681
Cash and cash equivalent	530,577	-	-	530,577
	<u>1,981,187</u>	<u>426,246</u>	<u>423,094</u>	<u>2,830,527</u>
Financial liabilities				
Trade payables	887,501	-	-	887,501
Other payables	110,358	-	768,854	879,212
Term loans	479,018	-	-	479,018
Bank overdrafts	3,488	-	-	3,488
	<u>1,480,365</u>	<u>-</u>	<u>768,854</u>	<u>2,249,219</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

32.1 Maturity analysis of financial instruments

The maturity profile of the Group's recognized financial instruments is detailed below:

	0-6 months ₦'000	6 months to 1 year ₦'000	1 year and above ₦'000	Total ₦'000
Company				
2020				
Financial assets				
Trade receivables	964,757	183,798	495,529	1,644,083
Other receivables	1,401,113	-	-	1,401,113
Cash and cash equivalent	3,825,500	-	-	3,825,500
	<u>6,191,370</u>	<u>183,798</u>	<u>495,529</u>	<u>6,870,696</u>
Financial liabilities				
Trade payables	343,298	-	-	343,298
Other payables	106,691	-	608,798	715,489
Term loans	1,688,194	-	2,507,283	4,195,477
Bank overdrafts	226	-	-	226
	<u>2,138,409</u>	<u>-</u>	<u>3,116,081</u>	<u>5,254,490</u>
2019				
Financial assets				
Trade receivables	1,011,038	401,663	481,500	1,894,201
Other receivables	327,759	-	-	327,759
Cash and cash equivalent	460,722	-	-	460,722
	<u>1,799,519</u>	<u>401,663</u>	<u>481,500</u>	<u>2,682,682</u>
Financial liabilities				
Trade payables	820,519	-	-	820,519
Other payables	104,936	-	608,798	713,734
Term loans	479,018	-	-	479,018
Bank overdrafts	3,488	-	-	3,488
	<u>1,407,961</u>	<u>-</u>	<u>608,798</u>	<u>2,016,759</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

33. Events after the reporting date

33.1 Impact of Covid-19 on business operation

The new year opened with subdued economies and recession in most countries. There are reports of new variants of Covid-19 and second wave in most countries. Nigeria however received its first batch of Covid-19 vaccines in February 2021 and slowly but gradually the economy is picking up with NBS reporting GDP growth of 0.11% for Q4 2020.

As a leading pharmaceutical company we are a strong player in the healthcare industry and classified as an essential services entity and as expected we are still fully operating our factory to bring out the products needed at this time to battle diseases including our immunity boosters, pain relievers and hand sanitizers.

Business Continuity and assessment Of Covid-19 Impact On Our Business

We have since activated our business continuity process and have put measures in place to ensure the safety of staffs. These include adoption of NCDC guidelines and social distancing work measures to ensure the safety of staffs. We have also invested in technology platforms to support remote work and virtual meetings. Furthermore, management has made an assessment of the pandemic on the Group and company's ability to continue as a going concern as follows:

a. Revenue Assurance and Supply Chain:

Our business is healthcare and pharmaceutical manufacturing which puts us in a position of opportunity to bring out relevant quality products that people can use to manage the disease. We accessed the CBN healthcare intervention support facility (N2.5 billion at 5% interest up till February 2022) and we are currently in the process of expanding our capacity with additional investments to bring out new products to help in the battle against Covid-19.

We have also included in our plans fresh investment towards vertical integration to secure direct production of needed packaging materials like cartons and bottles. We are also looking at strengthening our distribution capacity with a new sales depot and trucks in our investment pipeline. We continuously monitor our suppliers and price increases and take measures to respond

b. Profitability

In the past 3 years, the business has maintained good profitability indices and we believe that we have the opportunity to maintain the trend. We are working at reducing cost of products through investments in backward integration along our supply chain. We are also taking advantage of all opportunities presented at this time including reduced cost of financing through the CBN Intervention funds while managing our overheads and administrative costs. We believe all these will help us to still pull through in delivering profitability for our shareholders as expected.

In light of the above, Management is confident that our going concern status remains strong at this time and beyond.

The Directors are of the opinion that no other event or transaction has occurred since the reporting date, which could have had a material effect on these consolidated financial statements that date or which needs to be mentioned in the consolidated financial statement in the interests of fair presentation of the Group's financial position as at the reporting date or its results for the year then ended.

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

34. Major suppliers

The Company's suppliers are both local and foreign. Some of the Companies major suppliers include

Local

Providence Ass. Ind. Limited
Bentos Pharmaceutical Products Ltd
Dangote Sugar Refinery Plc
Prima Corporation Limited
Sankil Pharmaceutical Ltd
Geokev Company Nigeria Ltd

Foreign

IPCA Laboratories Limited (India)
Aurobindo Pharm. Limited (India)
Surya Engineers (India)
Caffy Sanders International Limited (UK)
Belco Pharma(India)

The company is not related to any of its suppliers.

35. Comparative figures

Where necessary comparative figures have been restated to ensure proper disclosure and uniformity in the current year's presentation. This reclassification have no net impact on these financial statements.

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35. Restatement

The statement of financial position and statement of profit or loss and other comprehensive income for year ended 31 December 2019 has been restated. The restatement was as a result of correction of some figures in Biovaccines balance observed during the year under review. This necessitated restatement of the 2019 audited figures. This restatement will give us comfort as to understanding the basis for the comparative figures for year ended 31 December 2019 audit to reflect the true position.

35.1 Impact of restatement on statement of financial position - 2019

		The Group			The Company		
		As Previously reported N'000	Restatement adjustment N'000	As Restated N'000	As Previously reported N'000	Restatement adjustment N'000	As Restated N'000
	Note						
Assets							
Non-current assets							
Property, plant and equipment		4,165,576	-	4,165,576	4,148,373	-	4,148,373
Intangible assets		40,632	-	40,632	40,632	-	40,632
Investment in subsidiaries		-	-	-	3,000	-	3,000
Investment in Joint Venture	a	1,225,292	(312)	1,224,980	1,326,886	-	1,326,886
		<u>5,431,500</u>	<u>(312)</u>	<u>5,431,188</u>	<u>5,518,891</u>	<u>-</u>	<u>5,518,891</u>
Current assets							
Inventories		1,591,064	-	1,591,064	1,443,968	-	1,443,968
Trade and other receivables		1,610,933	-	1,610,933	1,532,123	-	1,532,123
Other assets		329,681	-	329,681	327,759	-	327,759
Due from related party		-	-	-	190,465	-	190,465
Cash and cash equivalents		530,577	-	530,577	460,722	-	460,722
		<u>4,062,255</u>	<u>-</u>	<u>4,062,255</u>	<u>3,955,037</u>	<u>-</u>	<u>3,955,037</u>
Total assets		<u>9,493,755</u>	<u>(312)</u>	<u>9,493,443</u>	<u>9,473,928</u>	<u>-</u>	<u>9,473,928</u>
Equity and liabilities							
Ordinary shares		862,617		862,617	862,617		862,617
Share premium		3,012,065		3,012,065	3,012,065		3,012,065
Retained earnings	a	1,926,176	(312)	1,925,864	2,010,576		2,010,576
Asset revaluation reserve	b	72,000	336,144	408,144	72,000	336,144	408,144
		<u>5,872,858</u>	<u>335,832</u>	<u>6,208,690</u>	<u>5,957,258</u>	<u>336,144</u>	<u>6,293,402</u>
Liabilities							
Non-current liabilities							
Post employment benefits		49,347	-	49,347	49,192	-	49,192
Deferred tax liabilities	c	936,814	37,349	974,163	936,178	37,349	973,527
		<u>986,161</u>	<u>37,349</u>	<u>1,023,510</u>	<u>985,370</u>	<u>37,349</u>	<u>1,022,719</u>
Current liabilities							
Loans and borrowings		482,506	-	482,506	482,506	-	482,506
Trade and other payables		1,411,725	-	1,411,725	1,308,289	-	1,308,289
Due to related party	d	599,458	(373,493)	225,965	599,458	(373,493)	225,965
Current tax liabilities		141,047	-	141,047	141,047	-	141,047
		<u>2,634,736</u>	<u>(373,493)</u>	<u>2,261,243</u>	<u>2,531,300</u>	<u>(373,493)</u>	<u>2,157,807</u>
Total liabilities		<u>3,620,897</u>	<u>(336,144)</u>	<u>3,284,753</u>	<u>3,516,670</u>	<u>(336,144)</u>	<u>3,180,526</u>
Total equity and liabilities		<u>9,493,755</u>	<u>(312)</u>	<u>9,493,443</u>	<u>9,473,928</u>	<u>-</u>	<u>9,473,928</u>

MAY AND BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

35.2 Impact of restatement on statement of profit or loss and other comprehensive income - 2019

Note	The Group			The Company		
	As Previously reported N'000	Restatement adjustment N'000	Restated N'000	As Previously reported N'000	Restatement adjustment N'000	Restated N'000
Revenue	8,080,390	-	8,080,390	7,686,625	-	7,686,625
Direct cost	(5,174,862)	-	(5,174,862)	(4,975,875)	-	(4,975,875)
Gross profit	2,905,528	-	2,905,528	2,710,750	-	2,710,750
Other income	108,695	-	108,695	102,417	-	102,417
Marketing expenses	(1,197,534)	-	(1,197,534)	(1,068,594)	-	(1,068,594)
Administrative expenses	(784,290)	-	(784,290)	(730,733)	-	(730,733)
Operating (loss)/profit	1,032,399	-	1,032,399	1,013,840	-	1,013,840
Net finance costs	(119,141)	-	(119,141)	(119,141)	-	(119,141)
Share of loss in joint ventures	(12,352)	-	(12,352)	-	-	-
(Loss)/profit before tax	900,906	-	900,906	894,699	-	894,699
Income tax expense	(184,466)	-	(184,466)	(184,466)	-	(184,466)
(Loss)/profit after tax	716,440	-	716,440	710,233	-	710,233
Other comprehensive (loss)/income						
Items that will not be reclassified subsequently to profit or loss:	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss:						
Asset revaluation gain net of tax	72,000	336,144	408,144	72,000	336,144	408,144
Total other comprehensive income	72,000	336,144	408,144	72,000	336,144	408,144
Total comprehensive loss	788,440	336,144	1,124,584	782,233	336,144	1,118,377

Notes to reconciliation

a. Investment in Joint Venture

Investment in joint venture which was previously overstated as a result of reclassification of account balances has now been adjusted in this restated balance

b. Asset revaluation reserve

Asset revaluation reserve which was previously understated due to omission of total amount of revaluation surplus has now been adjusted in this restated balance.

c. Deferred tax liabilities

Deferred tax liabilities which was previously understated as a result of omission of total amount of revaluation surplus net of deferred tax has now been adjusted in this restated balance.

d. Due to related party

Due to related party which was previously overstated as a result of omission of an account balance has now been adjusted in this restated balance.

MAY AND BAKER NIGERIA PLC

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Other National Disclosures

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group				The Company			
	2020 ₦'000	%	2019 ₦'000	%	2020 ₦'000	%	2019 ₦'000	%
Revenue	9,390,196		8,080,390		8,939,033		7,686,625	
Other operating income	38,721		102,268		38,721		95,990	
Other gains and losses	6,955		6,427		6,160		6,427	
	9,435,872		8,189,085		8,983,914		7,789,042	
Bought-in-materials and services:								
- Imported	(5,159,350)		(4,029,367)		(4,819,476)		(3,682,981)	
- Local	(1,563,611)		(1,930,783)		(1,563,611)		(1,923,652)	
Value added	2,712,911	100	2,228,935	100	2,600,827	100	2,182,409	100

Applied as follows:

To employees:

Salaries, wages and other benefits	783,530	29	745,578	33	745,304	29	709,888	33
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To Government:

Income tax	478,953	18	124,648	6	478,953	18	124,648	6
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To pay providers of capital:

Finance charges	135,047	5	119,142	5	135,184	5	119,142	5
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To provide for maintenance of fixed assets:

- Depreciation and amortization	546,624	20	463,309	21	533,216	21	458,680	21
- Deferred taxation	(195,807)	(7)	59,818	3	(195,807)	(8)	59,818	3
- Profit and loss account	964,564	36	716,440	32	903,977	35	710,233	33

Value added	2,712,911	100	2,228,935	100	2,600,827	100	2,182,409	100
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Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. The statement shows the allocation of that wealth to employees, government, providers of finance and shareholders, and that retained for future creation of more wealth.

MAY AND BAKER NIGERIA PLC

FIVE YEAR FINANCIAL SUMMARY - GROUP 31 DECEMBER

	2020 ₦'000	2019 ₦'000 Restated	2018 ₦'000	2017 ₦'000 Restated	2016 ₦'000
Assets/liabilities					
Property, plant and equipment	3,938,657	4,165,576	3,504,599	3,651,101	3,987,172
Intangible assets	30,474	40,632	-	33,648	67,296
Investment in Joint Venture	1,200,922	1,224,980	1,237,645	970,944	-
Deposit for investment	-	-	-	-	245,325
Net current assets	5,363,421	1,801,013	(102,208)	439,531	1,183,765
Non current liabilities	(3,791,529)	(1,023,510)	(1,022,630)	(1,805,717)	(2,471,872)
Net assets	6,741,945	6,208,690	3,617,405	3,289,506	3,011,686
Capital and reserves					
Share capital	862,617	862,617	490,000	490,000	490,000
Share premium	3,012,065	3,012,065	1,572,622	1,626,094	1,626,094
Retained earnings	2,459,119	1,925,864	1,554,783	1,173,412	895,592
Asset revaluation reserve	408,144	408,144	-	-	-
Shareholders fund	6,741,945	6,208,690	3,617,405	3,289,506	3,011,686
Statement of profit or loss and other comprehensive					
Turnover	9,390,196	8,080,390	8,552,163	8,056,961	8,469,359
Profit before taxation	1,248,326	900,594	817,913	861,145	345,939
Taxation	(283,762)	(184,466)	(475,226)	(234,757)	(387,033)
Profit/(loss) after taxation	964,564	716,128	342,687	626,388	(41,094)
Per share data (kobo)					
Earnings/(loss) - basic	55.91	41.51	24.75	(29.57)	(4.19)
Net assets	390.78	359.88	372.62	335.66	307.31

Notes:

Earnings/(loss) per share are based on the profit/(loss) after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on the net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

MAY AND BAKER NIGERIA PLC

FIVE YEAR FINANCIAL SUMMARY - COMPANY

31 DECEMBER	2020 N'000	2019 N'000 Restated	2018 N'000	2017 N'000 Restated	2016 N'000
Assets/liabilities					
Property, plant and equipment	3,908,706	4,148,373	3,499,352	3,647,403	3,977,987
Intangible assets	30,474	40,632	-	33,648	67,296
Investment in subsidiaries	3,000	3,000	3,000	3,000	3,000
Investment in Joint Venture	1,326,886	1,326,886	1,326,886	1,005,189	-
Deposit for investment	-	-	-	-	245,325
Net current assets	5,286,400	1,797,230	(101,480)	463,369	1,227,770
Non current liabilities	(3,789,396)	(1,022,719)	(1,019,746)	(1,803,656)	(2,470,807)
Net assets	6,766,070	6,293,402	3,708,012	3,348,953	3,050,571
Capital and reserves					
Share capital	862,617	862,617	490,000	490,000	490,000
Share premium	3,012,065	3,012,065	1,572,622	1,626,094	1,626,094
Retained earnings	2,483,243	2,010,576	1,645,390	1,232,859	934,477
Asset revaluation reserve	408,144	408,144	-	-	-
Shareholders' fund	6,766,069	6,293,402	3,708,012	3,348,953	3,050,571
Statement of profit or loss and other comprehensive income					
Turnover	8,939,033	7,686,625	8,249,947	7,844,348	8,304,215
Profit before taxation	1,187,739	894,699	849,786	875,977	337,670
Taxation	(283,762)	(184,466)	(475,226)	(229,027)	(386,382)
Profit/(loss) after taxation	903,977	710,233	374,560	646,950	(48,712)
Per share data (kobo)					
Earnings/(loss) - basic	52.40	41.17	24.75	(29.57)	(4.97)
Net assets per share	392.18	364.79	378.37	341.73	311.28

Notes:

Earnings/(loss) per share are based on the profit/(loss) after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on the net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

MANAGEMENT INFORMATION:

Detailed profit or loss and other comprehensive income account

	Group		Company	
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
Costs of sales				
<i>Direct material costs:</i>				
Direct materials	5,368,628	4,713,099	5,174,617	4,514,111
Over direct material absorptions	(921,931)	(461,752)	(921,931)	(461,752)
Total Direct material costs	4,446,697	4,251,347	4,252,686	4,052,359
<i>Direct labour costs:</i>				
Salaries and allowances	192,069	181,262	192,069	181,262
Contributions to pension fund scheme	18,388	15,561	18,388	15,561
Staff gratuity expenses	3,298	5,392	3,298	5,392
Medical expenses	6,703	6,906	6,703	6,906
Contract manpower	94,330	82,260	94,330	82,260
Factory canteen and other staff expenses	80,729	92,048	80,729	92,048
Total direct labour costs	395,517	383,429	395,517	383,429
<i>Direct expenses:</i>				
Depreciation expenses	412,837	346,646	412,837	346,646
Repairs and maintenance	133,236	120,024	133,236	120,024
Fuel, diesel and utility expenses	410,501	387,891	410,501	387,891
Other production direct expenses	(312,583)	(460,988)	(312,583)	(460,988)
Total direct expenses	643,991	393,573	643,991	393,573
<i>Factory overhead expenses:</i>				
Registrations and licenses expenses	15,074	7,006	15,074	7,006
Research and Development expenses	(55)	13,860	(55)	13,860
Insurance expenses	14,039	18,965	14,039	18,965
Travelling expenses	47,871	56,521	47,871	56,521
Subscription, business registration and dues	1,091	4,931	1,091	4,931
Stationeries expenses	320	665	320	665
Laboratory and other factory expenses	43,879	44,565	43,879	44,565
Total factory overhead expenses	122,219	146,513	122,219	146,513
Total costs of sales	5,608,424	5,174,862	5,414,413	4,975,874

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

MANAGEMENT INFORMATION:

Detailed profit or loss and other comprehensive income account

	Group			
	2020	2019	2020	2019
	₦'000	₦'000	₦'000	₦'000
Administrative expenses				
Salaries and allowances	180,234	170,438	170,485	162,766
Contributions to pension fund scheme	28,006	21,115	26,309	19,827
Staff employee benefit	4,939	4,195	4,354	3,972
Training, recruitment and canteen expenses	20,959	23,913	20,435	22,458
Medical expenses	8,045	6,705	7,471	6,159
Contract staff and other welfare expenses	53,211	56,510	50,281	52,815
Depreciation expenses	52,316	50,036	51,704	49,782
Repairs and maintenances	21,664	31,484	21,664	28,827
Local and Foreign transport expenses	80,170	93,282	74,897	86,787
Fuel expenses	7,508	4,540	7,508	4,540
Insurance expenses	34,151	22,450	34,151	22,450
Licensing/registration	9,412	7,221	6,758	3,215
Director's emolument and expenses	116,825	83,061	116,825	83,061
Director's fees	7,750	7,750	7,750	7,750
Advert and publicity	1,500	1,123	1,500	1,123
Public relation and social responsibilities	2,762	980	2,762	980
Subscription and dues	11,561	7,587	6,106	7,587
Audit fees	13,326	12,000	11,600	10,500
Legal and professional charges	13,968	21,449	13,968	17,795
Printing and stationery	10,846	12,910	10,321	11,745
Security expenses	20,594	19,509	20,594	19,509
Telephone and postages expenses	7,128	7,379	5,538	5,894
Obsolete stock written off	13,828	-	-	-
Company Secretary and AGM expenses	14,875	10,149	14,875	10,149
Administrative and management expense	11,718	15,357	11,718	15,357
Bank charges and commissions	27,638	29,577	21,161	19,770
Electricity and generator expenses	4,878	1,930	4,878	1,930
Exchange loss	132,169	-	126,284	-
IT Expenses	25,020	29,827	25,020	29,827
Office and quarters expenses	30,921	31,812	24,913	24,158
	967,922	784,291	901,830	730,734

MAY AND BAKER NIGERIA PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

MANAGEMENT INFORMATION:

Detailed profit or loss and other comprehensive income account

	Group		Company	
	2020 ₦'000	2019 ₦'000	2020 ₦'000	2019 ₦'000
Distribution, Sales and marketing expenses				
Salaries and allowances	202,438	202,455	182,812	183,961
Contributions to pension fund scheme	19,439	19,927	17,773	18,003
Employee benefits	4,790	6,226	4,790	6,226
Training, recruitment and canteen expenses	12,161	8,922	11,771	8,922
Medical expenses	3,994	2,404	3,723	2,304
Rent and other expenses	31,559	22,984	31,345	22,691
Depreciation expenses	91,621	68,643	78,827	64,268
Repairs and maintenances	53,895	55,803	52,803	54,978
Fuel, transport and traveling expenses	159,943	157,579	159,943	155,899
Advert and publicity	259,751	107,716	259,751	107,716
Research and Development expenses	7,824	40,172	7,824	13,769
Incentives	197,752	246,707	175,029	246,707
Impairment on trade and other receivable	139,842	35,838	137,936	28,516
Marketing expenses	63,891	77,170	63,891	10,223
Depot expenses	50,261	40,658	50,261	40,658
Sampling expenses/free issues	18,458	16,199	18,458	16,199
Telephone and postages	7,164	6,128	7,164	6,128
Sales Reps fixed expenses	28,364	30,851	28,364	30,851
Outsourcing and other staff expenses	98,948	51,152	52,283	50,575
	<u>1,452,095</u>	<u>1,197,534</u>	<u>1,344,748</u>	<u>1,068,594</u>